

City of Asheville, North Carolina

Comprehensive Annual Financial Report

Fiscal year ended June 30, 2007



CITY OF ASHEVILLE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2007

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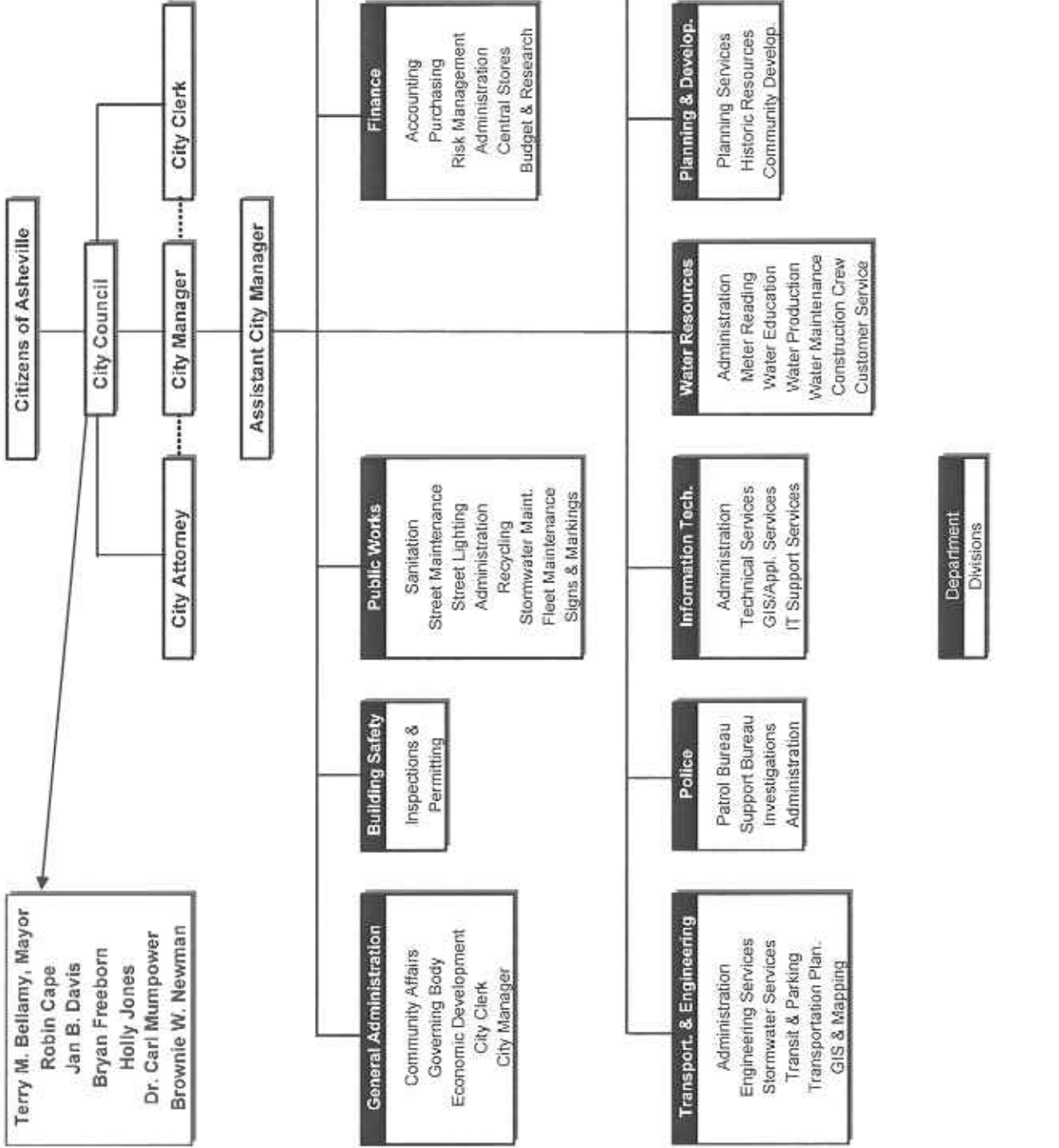
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CITY OF ASHEVILLE ORGANIZATION CHART



City of Asheville

MISSION STATEMENT

The City of Asheville is committed to delivering an excellent quality of service to enhance your quality of life.

CORE VALUES

In order to achieve our mission of providing quality service to enhance the quality of life in Asheville, we adhere to the following core values:

A Accountability:

By being responsive and responsible to citizens and their elected representatives.

S Service:

By treating those whom we serve with respect and dignity.

H Honesty:

By providing accurate, truthful, and complete information.

E Efficiency:

By constantly striving to use technology and innovation to provide the highest level of service for the lowest possible cost.

V Vision:

By looking toward the future with a focus on creating a better Asheville.

I Integrity:

By approaching our work honestly, ethically, and with sincerity.

L Loyalty:

By diligently promoting and supporting the interests of the community we serve.

L Leadership:

By being a model for quality service and professionalism in our community and throughout the nation.

E Equal Opportunity:

By encouraging our diverse population to participate in the government of our city as citizens and employees.

"Our Quality of Service, Your Quality of Life"



City of Asheville, NC

Finance Department

October 31, 2007

To the Honorable Mayor,
Members of the Governing Council,
and Citizens of the City of Asheville, North Carolina

State law requires that every general-purpose local government publish a complete set of audited financial statements within six months of the close of each fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2007.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Dixon Hughes PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Asheville's ("the City") statements for the year ended June 30, 2007. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis ("MD&A") immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of Government

The City, incorporated in 1797, is located in the western part of the state, which is considered to be the top growth area in the state and one of the top growth areas in the country. Asheville currently occupies a land area of 43.64 square miles and serves a population of 75,947. The City is the county seat of Buncombe County, the largest city in Western North Carolina and tenth largest city in the State. Asheville is nestled between the Blue Ridge and Great Smoky Mountains and located astride the French Broad and Swannanoa Rivers. The City is surrounded by lush mountains, many with elevations above 5,000 feet. Asheville's natural and architectural beauty, moderate climate, strong job market and outstanding educational and health care facilities make it one of the most attractive locations in the United States. Asheville is consistently ranked high among the best places to live, work, and retire. The City's long-range planning is directed toward preserving this area's high quality of life, so that it shall remain one of the "best places."

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council ("Council") consisting of the mayor and six other members. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a four-year term. The Council is responsible for adopting the budget and appointing the City Manager, City Attorney and City Clerk. The City Manager is responsible for implementing Council policies, City ordinances, and managing daily operations and appointing department directors.

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets, and other infrastructure; solid waste services and water service; and recreational activities and cultural events. The financial reporting entity includes all the funds and account groups of the City of Asheville (primary government), as well as all of its component units. Component units are legally separate entities for which the government is financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations and, as such, are included in the reporting entity. The Asheville Public Financing Corporation and the Asheville Claims Corporation are reported as blended component units, and, as such, are not presented in the Basic Financial Statements. The Asheville Alcoholic Control Board is reported as a discretely presented component unit and is presented in a separate column in the Basic Financial Statements to emphasize that it is legally separate from the primary government and to distinguish its financial position, results of operations and cash flows from that of the primary government.

In government, much more than in private business, the budget is an integral part of a unit's accounting system and daily operations. The North Carolina General Statutes require all governmental units to adopt a balanced budget by July 1 of each year. The City's budget ordinance, passed by Council, establishes a legal limit on spending authorizations. In general, the City's operating budget remains in affect for one year. However, capital projects funds and grant funds are budgeted, as permitted by statute, for the life of each individual project. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by fund or project total. For internal management purposes, the budget is detailed and compared to expenditures and encumbrances by line item within each department or project. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary controls. Encumbered amounts lapse at year-end. However, encumbrances are reappropriated in the following year's budget. Budgetary control is also facilitated by the use of an automated employee position classification system, which requires that every permanent position be budgeted.

Local economy

The City is the regional center of manufacturing, transportation, health care, banking, professional services and shopping. The economy is diverse, with strong representation in manufacturing, distribution, health care, retail trade and tourism.

In addition to being an important indicator of overall local economic health, Buncombe County retail sales activity also directly impacts the City's general fund budget through sales tax receipts. Retail sales countywide have shown strong growth since the recession of 2001-2002. An increase of 11.1% occurred between FY2006 and FY2007. Of the \$3.3 billion in retail sales recorded in Buncombe County during FY 2007, \$2.56 billion or 77% of those sales occurred within the City of Asheville. Among the eleven largest cities in North Carolina, Asheville had the highest level of retail sales per resident in FY 2007. This data reflects Asheville's position as the regional economic center for Western North Carolina. Asheville's high level of retail sales per resident is also likely associated with Asheville's status as a tourist destination.

Asheville's setting in the heart of a vast and beautiful recreational area has made tourism an important part of the local economy. The most recent data from the N.C. Department of Commerce indicate that domestic tourism in Buncombe County generated an economic impact of \$645.71 million in 2006, an increase of 10.4% over 2005. Buncombe County ranks 5th in travel impact among the state's 100 counties. Approximately 9,000 jobs in Buncombe County are directly linked to travel and tourism. Growth in hotel/motel sales is a good indicator of the status of the local tourist economy. Hotel/motel sales increased 13.5% between 2005 and 2006. Through the first six months of 2007, hotel/motel sales are up another 8.7% compared to 2006.

The unemployment rate is a critical indicator of relative strength in the economy. Buncombe County's unemployment rate decreased in FY2006 and continued at a low level through FY2007. As of September 2007, the county's unemployment rate stood at 3.5%. Local unemployment rates are below both the statewide (4.9%) and national (4.7%) unemployment rates.

Between 1997 and 2006, the total employment in Buncombe County increased by 11,695 jobs or 11.3%. In 2006, average Buncombe County employment increased by 4.70%, reaching an all-time high of 115,139.

The County's leading industry in terms of employment is health care and social assistance, which employed 20,763 people in 2006. Over the last 5 years, health services added twice as many jobs as any other sector. Other leading industry sectors include retail trade, manufacturing, accommodation and food services. Together these four sectors accounted for approximately 54% of all Buncombe County jobs in 2006. Despite the fact that it remains the fourth largest industry sector in Buncombe County, the manufacturing sector has experienced a significant decline in recent years. Over the last five years, local manufacturing employment has declined 19%.

According to the U.S. Bureau of Economic Analysis, in 2005 Buncombe County had a per capita personal income (PCPI) of \$30,158. This PCPI ranked 19th in the state and was 97 percent of the state average, \$31,041, and 87 percent of the national average, \$34,471. The 2005 PCPI reflected an increase of 5.2 percent from 2004.

Long-Term Financial Planning

The Capital Improvement Program (CIP) is a six-year financing plan for infrastructure improvements, facility construction and improvement, and equipment acquisition. The City's emphasis on long-range capital improvement planning focuses attention on current and future needs of the community and on balancing those needs with the City's fiscal resources.

The CIP is updated annually based on input from Council, the public and City staff. The FY 2007 CIP was influenced by a number of other planning processes, including the City's long-range Strategic Operating Plan, the Unified Development Ordinance, the Parks & Recreation Master Plan, the Pedestrian Thoroughfare Plan, and the 1998 Parking Study.

In order to be included in the CIP, a capital item or construction project must have a useful life of more than one year and an initial cost of at least \$25,000. All capital items not meeting these criteria are included in the annual operating budget as capital outlay. The one exception to this rule is vehicles. All vehicle purchases, regardless of price, are included in the CIP.

The General Capital Reserve Fund provides funding for all general government capital needs. FY 2007 funding was provided by a \$5,574,654 pay-as-you-go contribution from the General Fund, \$3,963,025 in

debt proceeds, \$49,600 in funding from the N.C. Department of Transportation (NCDOT), and \$600,000 from the reallocation of prior year funding.

CIP items and projects in the Water Resources Operating & Capital Improvement Funds were funded with utility revenues generated by the Water Resources Operating Fund and the capital maintenance fee. The purpose of the capital maintenance fee, which was budgeted to total \$6.1 million in revenue, is to provide funding for major capital improvements such as water line replacements and water treatment source improvements. With this new fee, the total capital budget for FY 2007 was \$10.3 million. This total included funding for mandatory capital improvement projects, an aggressive meter change-out program, rolling stock, and small capital equipment.

Relevant Financial Policies

As a recipient of federal and state assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation by management and the Finance Department staff of the City. As a part of the City's single audit requirements, tests are made to determine the adequacy of internal controls as well as to determine that the City has complied with applicable laws and regulations.

The Governmental Accounting Standards Board issued Statement No. 45 in June of 2004. This Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenses and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

This statement will impact the City to the extent the City provides health insurance benefits to retirees. When implemented, Statement 45 will provide those who use government financial reports with improved information about the cost of providing post-employment benefits, the commitments that governments have made related to those benefits, and the extent to which those commitments have been funded.

Implementation of GASB Statement No. 45 will be required no later than the fiscal year ending June 30, 2008. An actuarial firm has prepared preliminary estimates of the financial impacts this pronouncement might have. Management will use the intervening time to review the nature of the commitment to current and future retirees, the potential magnitude of the liability and expense, and to evaluate alternatives for managing this liability and expense upon the required implementation date.

Insurance Programs

The City maintains "insurance programs" for certain general liability and casualty risks, fringe benefits and workers compensation obligations. Revenues and expenses for this program are recorded in the Risk and Benefits Management Division of the General Fund. For all of its self-insured retention programs, the City retains the services of outside third party administrators for the professional management and adjustments of claims. The City is protected by the placement of a \$15,000,000 excess-only liability program across the liability lines under the contract. The City also insures its real and property holdings, including its dams for a total of \$240,000,000 in assets. For the City's self-insured Workers Compensation and Employer Liability, the City retains out-of-pocket losses of \$300,000 on specific claims and an aggregate loss of \$3,600,000 over a three-year period. The City carries a \$3,000,000 specific and aggregate excess over these deductibles, with the aggregate excess attachment 75 percent of the annual loss over a three-year period.

Awards and Acknowledgements

The Governmental Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the twenty-seventh time that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2006. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

We recognize the City's responsibility for the contents of this report and would like to express our appreciation for the cooperation and assistance of our independent auditors, Dixon Hughes PLLC, in its preparation. Also, this report would not have been possible without the efficient and dedicated service of the entire staff of the City's Accounting Division as well as the cooperation of all other departments and divisions of the City. We would also like to thank the members of Council for their interest and support.

As required by North Carolina General Statute 159-34, a copy of this report will be filed with the Secretary of the North Carolina Local Government Commission. In addition, a copy will be sent to the City Clerk to be available for public inspection.

Respectfully submitted,



Gary W. Jackson
City Manager



Benjamin C. Durant, III
Chief Financial Officer

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**CITY OF ASHEVILLE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2007**

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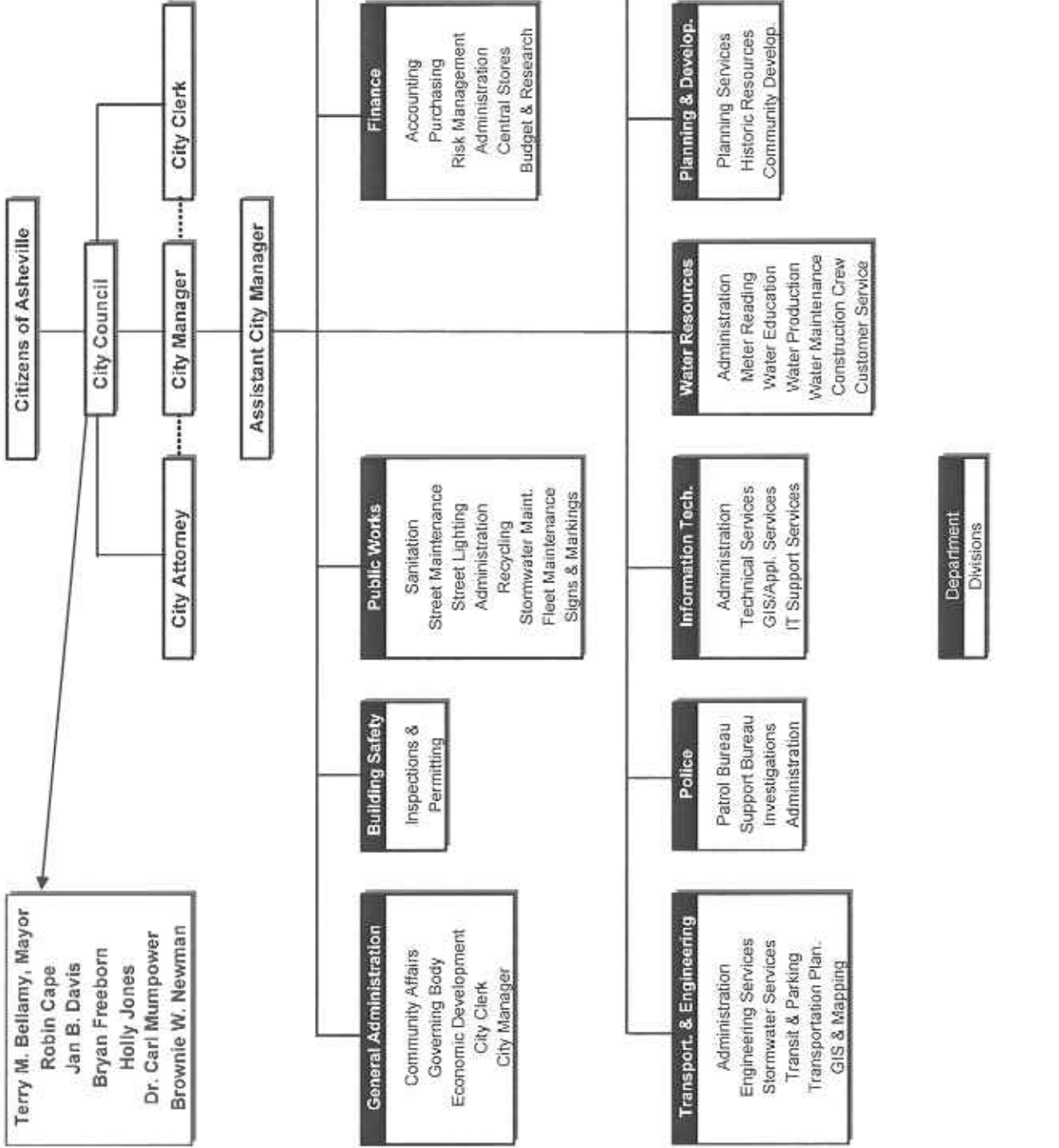
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Local economy

The City is the regional center of manufacturing, transportation, health care, banking, professional services and shopping. The economy is diverse, with strong representation in manufacturing, distribution, health care, retail trade and tourism.

In addition to being an important indicator of overall local economic health, Buncombe County retail sales activity also directly impacts the City's general fund budget through sales tax receipts. Retail sales countywide have shown strong growth since the recession of 2001-2002. An increase of 11.1% occurred between FY2006 and FY2007. Of the \$3.3 billion in retail sales recorded in Buncombe County during FY 2007, \$2.56 billion or 77% of those sales occurred within the City of Asheville. Among the eleven largest cities in North Carolina, Asheville had the highest level of retail sales per resident in FY 2007. This data reflects Asheville's position as the regional economic center for Western North Carolina. Asheville's high level of retail sales per resident is also likely associated with Asheville's status as a tourist destination.

Asheville's setting in the heart of a vast and beautiful recreational area has made tourism an important part of the local economy. The most recent data from the N.C. Department of Commerce indicate that domestic tourism in Buncombe County generated an economic impact of \$645.71 million in 2006, an increase of 10.4% over 2005. Buncombe County ranks 5th in travel impact among the state's 100 counties. Approximately 9,000 jobs in Buncombe County are directly linked to travel and tourism. Growth in hotel/motel sales is a good indicator of the status of the local tourist economy. Hotel/motel sales increased 13.5% between 2005 and 2006. Through the first six months of 2007, hotel/motel sales are up another 8.7% compared to 2006.

The unemployment rate is a critical indicator of relative strength in the economy. Buncombe County's unemployment rate decreased in FY2006 and continued at a low level through FY2007. As of September 2007, the county's unemployment rate stood at 3.5%. Local unemployment rates are below both the statewide (4.9%) and national (4.7%) unemployment rates.

Between 1997 and 2006, the total employment in Buncombe County increased by 11,695 jobs or 11.3%. In 2006, average Buncombe County employment increased by 4.70%, reaching an all-time high of 115,139.

The County's leading industry in terms of employment is health care and social assistance, which employed 20,763 people in 2006. Over the last 5 years, health services added twice as many jobs as any other sector. Other leading industry sectors include retail trade, manufacturing, accommodation and food services. Together these four sectors accounted for approximately 54% of all Buncombe County jobs in 2006. Despite the fact that it remains the fourth largest industry sector in Buncombe County, the manufacturing sector has experienced a significant decline in recent years. Over the last five years, local manufacturing employment has declined 19%.

According to the U.S. Bureau of Economic Analysis, in 2005 Buncombe County had a per capita personal income (PCPI) of \$30,158. This PCPI ranked 19th in the state and was 97 percent of the state average, \$31,041, and 87 percent of the national average, \$34,471. The 2005 PCPI reflected an increase of 5.2 percent from 2004.

Long-Term Financial Planning

The Capital Improvement Program (CIP) is a six-year financing plan for infrastructure improvements, facility construction and improvement, and equipment acquisition. The City's emphasis on long-range capital improvement planning focuses attention on current and future needs of the community and on balancing those needs with the City's fiscal resources.

The CIP is updated annually based on input from Council, the public and City staff. The FY 2007 CIP was influenced by a number of other planning processes, including the City's long-range Strategic Operating Plan, the Unified Development Ordinance, the Parks & Recreation Master Plan, the Pedestrian Thoroughfare Plan, and the 1998 Parking Study.

In order to be included in the CIP, a capital item or construction project must have a useful life of more than one year and an initial cost of at least \$25,000. All capital items not meeting these criteria are included in the annual operating budget as capital outlay. The one exception to this rule is vehicles. All vehicle purchases, regardless of price, are included in the CIP.

The General Capital Reserve Fund provides funding for all general government capital needs. FY 2007 funding was provided by a \$5,574,654 pay-as-you-go contribution from the General Fund, \$3,963,025 in

debt proceeds, \$49,600 in funding from the N.C. Department of Transportation (NCDOT), and \$600,000 from the reallocation of prior year funding.

CIP items and projects in the Water Resources Operating & Capital Improvement Funds were funded with utility revenues generated by the Water Resources Operating Fund and the capital maintenance fee. The purpose of the capital maintenance fee, which was budgeted to total \$6.1 million in revenue, is to provide funding for major capital improvements such as water line replacements and water treatment source improvements. With this new fee, the total capital budget for FY 2007 was \$10.3 million. This total included funding for mandatory capital improvement projects, an aggressive meter change-out program, rolling stock, and small capital equipment.

Relevant Financial Policies

As a recipient of federal and state assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation by management and the Finance Department staff of the City. As a part of the City's single audit requirements, tests are made to determine the adequacy of internal controls as well as to determine that the City has complied with applicable laws and regulations.

The Governmental Accounting Standards Board issued Statement No. 45 in June of 2004. This Statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenses and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

This statement will impact the City to the extent the City provides health insurance benefits to retirees. When implemented, Statement 45 will provide those who use government financial reports with improved information about the cost of providing post-employment benefits, the commitments that governments have made related to those benefits, and the extent to which those commitments have been funded.

Implementation of GASB Statement No. 45 will be required no later than the fiscal year ending June 30, 2008. An actuarial firm has prepared preliminary estimates of the financial impacts this pronouncement might have. Management will use the intervening time to review the nature of the commitment to current and future retirees, the potential magnitude of the liability and expense, and to evaluate alternatives for managing this liability and expense upon the required implementation date.

Insurance Programs

The City maintains "insurance programs" for certain general liability and casualty risks, fringe benefits and workers compensation obligations. Revenues and expenses for this program are recorded in the Risk and Benefits Management Division of the General Fund. For all of its self-insured retention programs, the City retains the services of outside third party administrators for the professional management and adjustments of claims. The City is protected by the placement of a \$15,000,000 excess-only liability program across the liability lines under the contract. The City also insures its real and property holdings, including its dams for a total of \$240,000,000 in assets. For the City's self-insured Workers Compensation and Employer Liability, the City retains out-of-pocket losses of \$300,000 on specific claims and an aggregate loss of \$3,600,000 over a three-year period. The City carries a \$3,000,000 specific and aggregate excess over these deductibles, with the aggregate excess attachment 75 percent of the annual loss over a three-year period.

Awards and Acknowledgements

The Governmental Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the twenty-seventh time that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2006. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

We recognize the City's responsibility for the contents of this report and would like to express our appreciation for the cooperation and assistance of our independent auditors, Dixon Hughes PLLC, in its preparation. Also, this report would not have been possible without the efficient and dedicated service of the entire staff of the City's Accounting Division as well as the cooperation of all other departments and divisions of the City. We would also like to thank the members of Council for their interest and support.

As required by North Carolina General Statute 159-34, a copy of this report will be filed with the Secretary of the North Carolina Local Government Commission. In addition, a copy will be sent to the City Clerk to be available for public inspection.

Respectfully submitted,



Gary W. Jackson
City Manager



Benjamin C. Durant, III
Chief Financial Officer

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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

- Independent Auditors' Report -

The Honorable Mayor and Members of the City Council of the
City of Asheville, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Asheville, North Carolina (the "City"), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the City of Asheville ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Asheville ABC Board, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the City of Asheville ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Asheville, North Carolina, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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500 Ridgely Court
PO Box 3049
Asheville, NC 28802
Ph. 828.254.2254 Fx. 828.253.8914
www.dixon-hughes.com



In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2007, on our consideration of the City of Asheville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Asheville, North Carolina. The introductory section, combining and individual non-major fund financial statements and schedules, other supplementary information and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statement and schedules, other supplementary information and the schedule of expenditures of federal and State awards information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

October 31, 2007

Dixon Hughes PLLC

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

As management of the City of Asheville (The City), we offer readers of the City of Asheville's financial statements this narrative overview and analysis of the financial activities of the City of Asheville for the fiscal year ended 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's Notes to the Financial Statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets of the City of Asheville exceeded its liabilities at the close of the most recent fiscal year by \$357,500,228 (*net assets*). Of this amount, \$84,293,937 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$22,356,554.
- As of the close of the current fiscal year, the City of Asheville's governmental funds reported combined ending fund balances of \$51,253,328 an increase of \$2,929,163 in comparison with the prior year. Approximately 27% or \$13,930,710 is the undesignated portion of the general fund, therefore available to spend at the government's discretion.
- At the end of the current fiscal year, reserved fund balance for governmental funds was \$25,224,321, while unreserved totaled \$26,029,007 or 51% of total governmental fund expenditures.
- The City's total long-term liabilities decreased by approximately \$7.5 million during the current fiscal year. This net decrease is attributable to the normal pay down of existing debt.
- The City holds the following bond ratings:

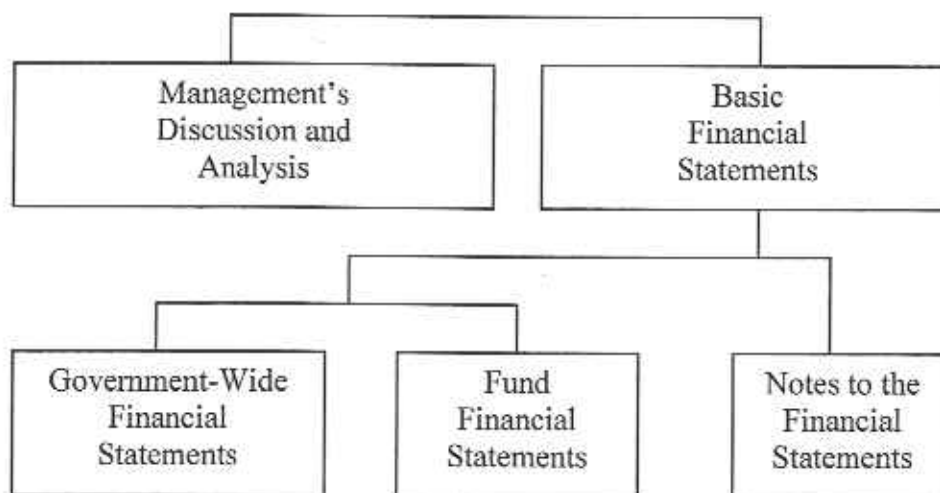
Moody's	Aa2
Standard & Poor's	AA

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Asheville's basic financial statements. The financial statements include two kinds of statements that present different views of the City: 1) Government-Wide Financial Statements and 2) Fund Financial Statements. Both perspectives, however, are essential and complementary components that allow the user to address relevant questions, broaden a basis for comparison, and enhance the City's accountability. Another element of the basic financial statements is the notes to the financial statements. In addition to the basic financial statements, the report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Asheville as well as compliance issues that are addressed by Government Auditing Standards, Office of Management and Budget (OMB) Circular A-133 and the North Carolina Single Audit Implementation Act.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Required Components of Annual Financial Report



Summary —————> Detail

Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-wide Financial Statements**. They provide a broad overview of the City's financial position and operations, in a manner similar to a private-sector business. The *statement of net assets* presents the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving. The *statement of activities* presents information on how the city's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of related cash flows. Therefore, revenues and expenses are reported in this statement, which result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

Government-wide statements are divided into governmental and business-type activities. The governmental activities include most of the City's basic services such as public safety, recreation, transportation, community and economic development, and general government. Property taxes, intergovernmental revenues, and other local taxes finance about 71% of the costs of these activities. Business-type activities include water utility, stormwater management, parking, festivals, golf course, civic center, and mass transit services. These activities are primarily paid from charges to customers excluding transit which receives federal grants and transfers from general fund as its primary source of funding.

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The **Fund Financial Statements** (Exhibits C through J) provide a more detailed look at the City's most significant activities. A fund is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting ensures and reflects compliance, or non-compliance, with related legal requirements, such as General Statutes, grantor provisions, or the City's budget ordinance. The funds of the City are divided into three categories: 1) the governmental fund statements, 2) the proprietary fund statements, and 3) the fiduciary fund statement.

Governmental Funds. Governmental funds are used to account for most basic services and are reported as governmental activities in the government-wide financial statements. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet (Exhibit C) and the governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit D) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. (Exhibit C & E)

The City of Asheville maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Asheville adopts an annual appropriated budget for its General Fund as required by General Statute. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. (Exhibit F)

Proprietary Funds. The City of Asheville maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the entity-wide financial statements. The City of Asheville uses enterprise funds to account for its Water Resources, Civic Center, Festivals, Parking Services, Golf Course, Stormwater Management, and Mass Transit Operations.

The City has one internal service fund to account for its self-insurance program. The fund is not yet fully operational as the City was not able to change its budgeting and accounting system to allocate its charges and claims. Because these services will predominantly benefit governmental rather than

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

business-type functions, they have been included in the governmental-type activities in the government-wide statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Resources Fund, which is considered to be a major fund of the City of Asheville. The basic proprietary fund financial statements can be found in Exhibit G through I of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Asheville's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Asheville maintains one agency fund, which is its only fiduciary fund. The basic fiduciary fund financial statement can be found on Exhibit J of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28-57 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Asheville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 58-59 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. The other supplemental information shows details about the City's individual funds, including budgetary information required by the North Carolina General Statutes, as well as other data that the City considers helpful to the reader.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial condition. In the case of the City of Asheville, assets exceeded liabilities by \$357,500,228 as of June 30, 2007.

By far the largest portion of the City's net assets (\$265,934,201 or 74.0%) reflects the City's investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt that is still outstanding that was issued to acquire those assets. The City of Asheville uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Asheville's investment in its capital assets is reported net

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are committed to the continued provision of service and cannot be used to liquidate these liabilities. Restricted net assets, 2.0% of the City's net assets, represent resources that are subject to external restrictions. These restrictions consist of employee paid health benefits as well as reservations for capital projects. In addition, total unrestricted net assets amounted to 24% of total net assets. Unrestricted net assets may be used to meet the government's ongoing obligation to citizens and creditors.

Net Assets of the City of Asheville						
	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Current and						
Other Assets	\$ 59,590,491	\$ 64,083,327	\$ 37,121,233	\$ 47,377,422	\$ 96,711,724	\$ 111,460,749
Capital Assets	196,889,755	190,387,389	143,701,439	147,285,267	340,591,194	337,672,656
Total Assets	256,480,246	254,470,716	180,822,672	194,662,689	437,302,918	449,133,405
Non-current Liabilities	36,585,374	32,265,355	49,681,550	50,065,508	86,266,924	82,330,863
Other Liabilities	7,101,440	3,584,187	8,790,880	5,718,127	15,892,320	9,302,314
Total Liabilities	43,686,814	35,849,542	58,472,430	55,783,635	102,159,244	91,633,177
Net Assets:						
Invested in Capital						
Assets, Net of						
Related Debt	173,598,743	166,595,239	92,518,623	99,338,962	266,117,366	265,934,201
Restricted	12,076,630	7,272,090	-	-	12,076,630	7,272,090
Unrestricted	27,118,059	44,753,845	29,831,619	39,540,092	56,949,678	84,293,937
Total Net Assets	\$ 212,793,432	\$ 218,621,174	\$ 122,350,242	\$138,879,054	\$ 335,143,674	\$ 357,500,228

As indicated above, assets of the City exceeded liabilities by \$357,500,228 at June 30, 2007. Analysis of the business-type activities indicates that the capital assets increased \$3.5 million in fiscal year 2007. The increase is a result of several capital water system improvements.

Governmental activities. Net assets of governmental activities increased by \$5,827,742. Key elements of this increase are as follows:

- Property tax revenues increased by \$4.3 million or 11.8% during the year. This is attributable to growth within the city due to increased construction activity and a slight adjustment in the property tax rate following the most recent revaluation.
- Strong economic growth for the year led to an increase in sales tax revenue of \$1.2 million.
- Special Items decreased \$2.0 million during the year. In Fiscal 2006 the City acquired the assets of the Nature Center and McCormick Field baseball stadium with the dissolution of the water agreement with the County. This caused the City's capital assets as well as overall net assets to increase. These amounts are reported as special items as discussed in the notes. In addition, in Fiscal 2007 the Certificate of Participation for the Asheville Claims Corporation

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

matured and was recorded as a special item in the newly created internal service fund. This added \$5.0 million in revenue (classified as a special item) at June 30, 2007.

Changes in Net Assets of the City of Asheville						
	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenues:						
Charges for services	\$ 15,163,538	\$ 15,653,381	\$ 32,882,022	\$ 40,656,903	\$ 48,045,560	\$ 56,310,284
Op. grants & contributions	6,645,765	6,577,739	2,171,052	2,373,935	8,816,817	8,951,674
Cap. grants & contributions	2,897,150	2,374,032	4,137,452	3,570,539	7,034,602	5,944,571
General revenues:						
Property taxes	36,913,609	41,254,144	-	-	36,913,609	41,254,144
Other taxes	22,192,656	23,562,645	-	-	22,192,656	23,562,645
Grants & contributions not restr'd to spec programs	1,059,358	1,512,902	-	-	1,059,358	1,512,902
Inv earnings & misc	2,724,292	3,127,186	541,966	1,170,876	3,266,258	4,298,062
Gain (loss) on capital assets	125,982	(89,351)	16,852	51,175	142,834	(38,176)
Special items	7,189,066	5,044,004	7,004,300	-	14,193,366	5,044,004
Total Revenues	\$ 94,911,416	\$ 99,016,682	\$ 46,753,644	\$ 47,823,428	\$ 141,665,060	\$ 146,840,110
Expenses:						
General government	16,032,815	18,248,574	-	-	16,032,815	18,248,574
Public Safety	33,384,277	34,453,963	-	-	33,384,277	34,453,963
Highway/streets	20,076,196	21,238,852	-	-	20,076,196	21,238,852
Econ Development	4,784,757	5,920,353	-	-	4,784,757	5,920,353
Culture and recreation	7,782,635	9,767,235	-	-	7,782,635	9,767,235
Int on long-term debt	1,179,077	1,243,027	-	-	1,179,077	1,243,027
Water Resources	-	-	20,194,049	20,616,840	20,194,049	20,616,840
Civic Center	-	-	2,251,998	2,220,029	2,251,998	2,220,029
Festivals	-	-	1,269,793	1,314,846	1,269,793	1,314,846
Parking Services	-	-	1,249,256	1,330,059	1,249,256	1,330,059
Mass Transit	-	-	4,262,696	4,633,166	4,262,696	4,633,166
Stormwater	-	-	1,994,752	2,500,297	1,994,752	2,500,297
Golf Course	-	-	884,124	996,314	884,124	996,314
Total Expenses	\$ 83,239,757	\$ 90,872,004	\$ 32,106,668	\$ 33,611,551	\$ 115,346,425	\$ 124,483,555
Increase in net assets:						
before transfers	11,671,659	8,144,678	14,646,976	14,211,877	26,318,635	22,356,555
Transfers	(1,942,940)	(2,316,936)	1,942,940	2,316,936	-	-
Increase in net assets	9,728,719	5,827,742	16,589,916	16,528,813	26,318,635	22,356,555
Net assets, beginning of year	203,064,713	212,793,432	105,760,325	122,350,241	308,825,039	335,143,673
Net assets, end of year	\$ 212,793,432	\$ 218,621,174	\$ 122,350,241	\$ 138,879,054	\$ 335,143,674	\$ 357,500,228

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

For the most part, increases in expenses closely parallel inflation and growth in the demand for services. In Fiscal 2007 the City adopted The Market Based Compensation Plan. This caused an increase in salaries across the City. Police, Fire and Engineering as well as some of the lowest paying jobs in the City were implemented in the first year. General government expenses increased by 13.9% for the fiscal year primarily due to increases in health care expenses.

Public Safety expenses increased by 3.2% due to the addition of eighteen new firefighters in January 2007 to staff the two new fire stations that opened in July 2007.

Culture and recreation increased \$2.0 million in the year. This increase is due a larger percentage of their budget being used in the current year on operations as compared to prior year where a larger portion of the budget was spent on capital projects or improvements that are not expensed on the government-wide statements.

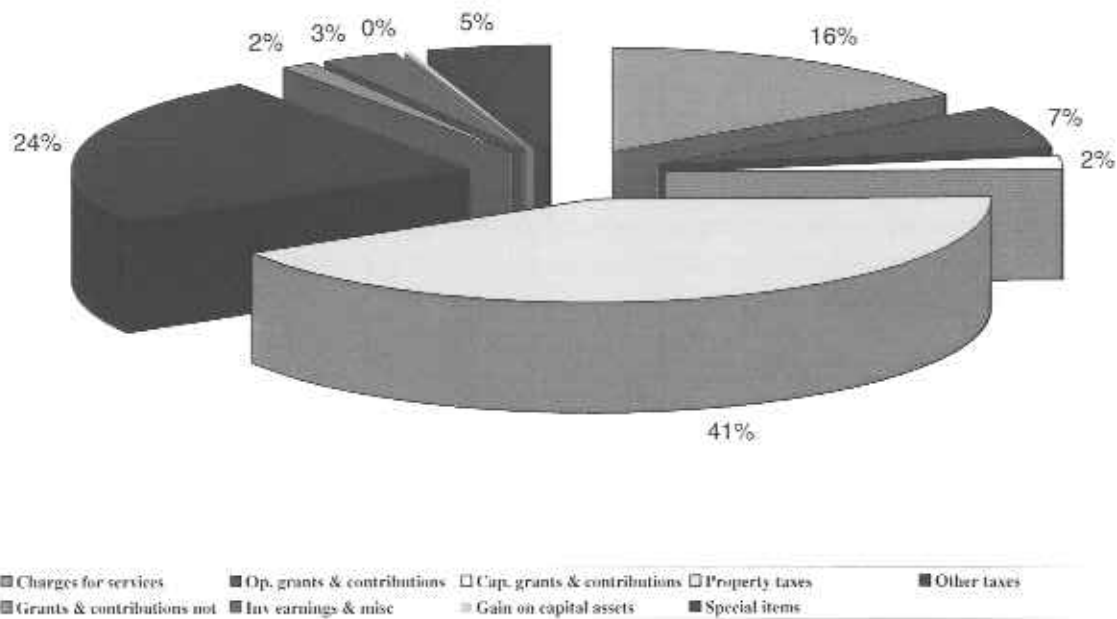
Highways/streets increased 5.8% as compared to last year due to the increase in material costs such as concrete and asphalt.

Other general government activities regarding housing initiatives include:

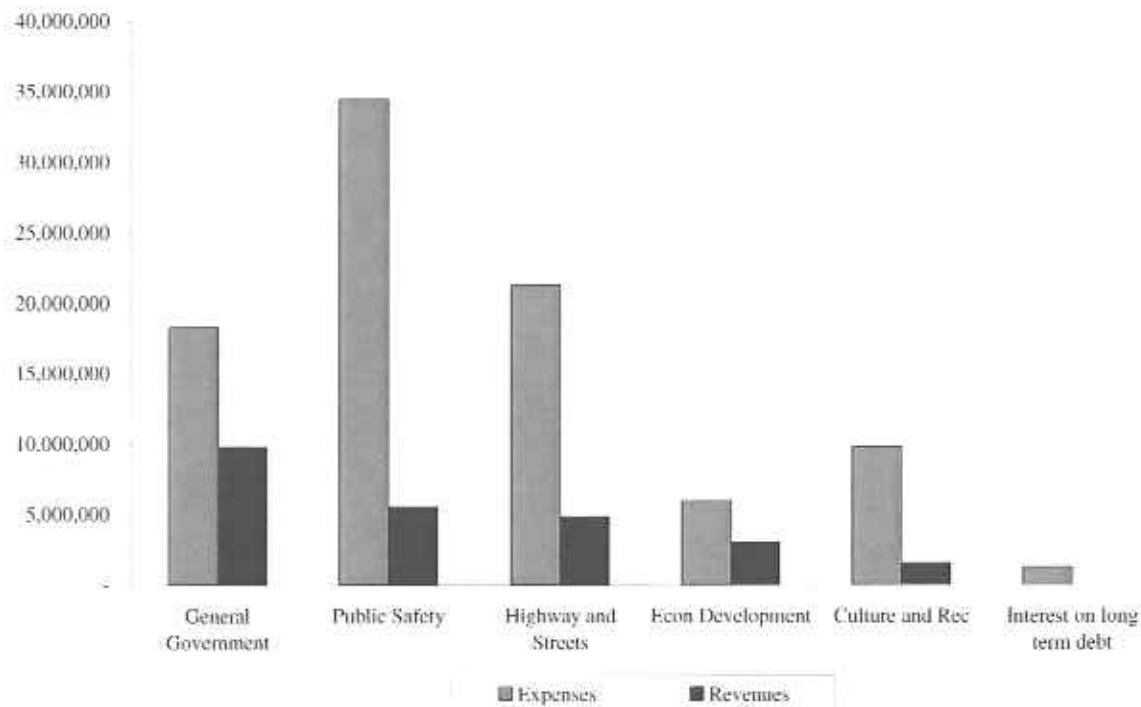
- Housing Trust Fund: 139 new homes or housing units, assisted with Housing Trust Fund loans, were completed in FY 2007. This includes the completion of one apartment complex and 70 out of 123 units in another apartment complex being renovated and reoccupied.
- CDBG and HOME funds assisted the production of 419 affordable housing units by the City and non-profit partners. CDBG funds were also used to assist over 5,000 people with needed services, including 111 homeless people, 36 who moved out of homelessness into permanent housing, and to start or expand 46 small businesses.
- CDBG and HOME funds assisted in upgrading the transit system by adding bus shelters, benches, and route signs.

**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Revenues by Source - Governmental Activities



Expenses and Program Revenue - Governmental Activities

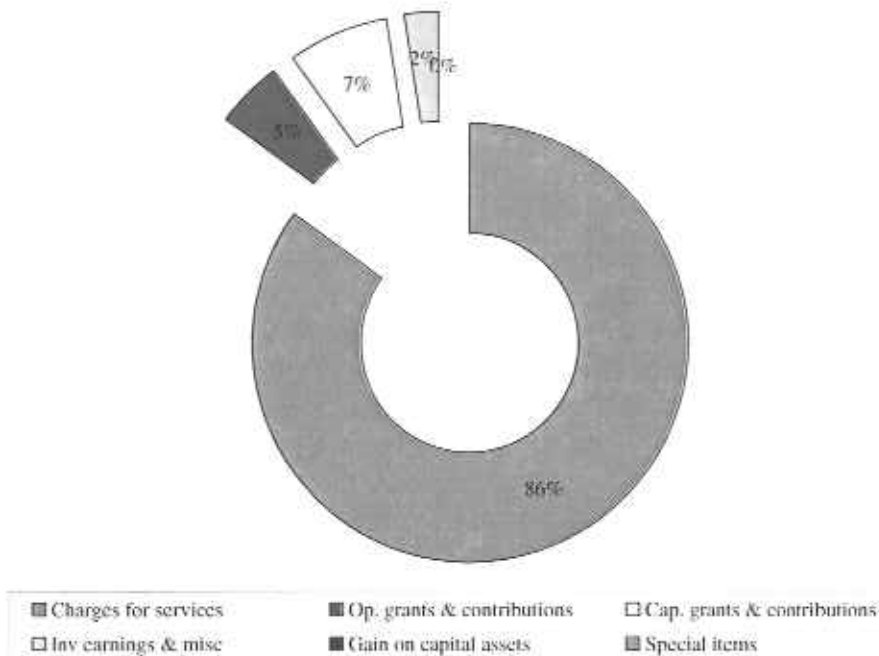


CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Business-type activities. Business-type activities increased the City of Asheville's net assets by approximately \$16.5 million for FY 2007. Key elements of this increase are as follows:

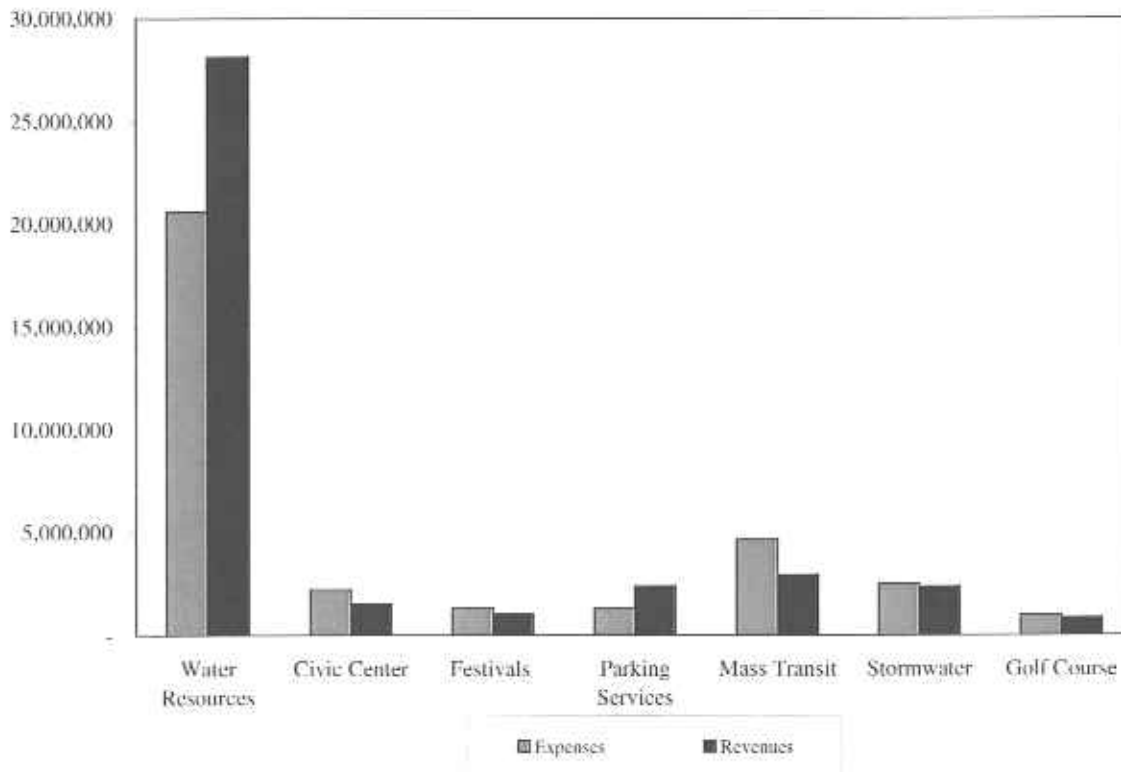
- Additional revenue of \$6.1 million resulted from the adoption of a new Water Capital Improvement Fee in the current year. This fee is to fund major capital improvements such as water main replacement and water treatment source improvements.
- Non-major enterprise funds had a combined increase in revenue of \$1.3 million attributable mainly to the Stormwater fund. Improvements to the billing system for Stormwater in the second year of operations caused the increase.
- Transit expenses increased approximately 8.3% due to increased fuel costs; however, \$414,268 additional grant revenue dollars countered the increased cost of operations.

Revenues by Source - Business Type Activities



**CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

Expenses and Program Revenues - Business Type Activities



Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for the governmental and business-type activities as of June 30, 2007, totals \$337,672,656 (net of accumulated depreciation). These assets include land, buildings, improvements other than buildings (infrastructure assets, such as streets, sidewalks, and water lines), machinery and equipment, and construction in progress. Summary of major capital projects for the year include a new fire station in the West Asheville area, replacement of 3 fire engines, replacement of vehicles within public works, water and the police departments, and upgrading the City's telephone system and radio system infrastructure. (See *Note 4* for additional information)

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Capital Assets of the City of Asheville

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Land	\$ 27,321,138	\$ 27,335,953	\$ 10,271,758	\$ 10,271,758	\$ 37,592,896	\$ 37,607,711
Buildings & Improvements	45,098,905	45,379,341	80,560,800	80,604,532	125,659,705	125,983,873
Machinery & Equipment	28,420,969	31,075,038	14,432,930	16,576,270	42,853,899	47,651,308
Infrastructure	204,736,311	204,948,506	109,208,525	112,545,959	313,944,836	317,494,465
Construction In Process	12,266,712	14,906,457	4,559,708	7,787,702	16,826,420	22,694,159
Accumulated Depreciation	(120,954,280)	(133,257,906)	(75,332,282)	(80,500,954)	(196,286,562)	(213,758,860)
Total	<u>\$ 196,889,755</u>	<u>\$ 190,387,389</u>	<u>\$ 143,701,439</u>	<u>\$ 147,285,267</u>	<u>\$ 340,591,194</u>	<u>\$ 337,672,656</u>

Long-term Debt. The City of Asheville's total general obligation and revenue bonds debt decreased by \$4,110,000 (7.6%) during the current fiscal year in accordance with its regularly scheduled maturity dates. The City did not issue any new debt in the current year.

The City of Asheville maintains an "AA" rating from Standard & Poor's and an "Aa2" rating from Moody's for general obligation debt. This bond rating is a clear indication of the sound financial condition of the City.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8% of its total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Asheville is \$770,135,787, which is significantly in excess of the City's outstanding general obligation debt. Additional information regarding the City of Asheville's long-term debt can be found in Note 7 of this report.

Outstanding Debt—General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
General Obligation Bonds	\$ 6,057,187	\$ 4,455,696	\$ 6,412,813	\$ 5,124,304	\$ 12,470,000	\$ 9,580,000
Revenue Bonds	-	-	41,800,000	40,580,000	41,800,000	40,580,000
Total	<u>\$ 6,057,187</u>	<u>\$ 4,455,696</u>	<u>\$ 48,212,813</u>	<u>\$ 45,704,304</u>	<u>\$ 54,270,000</u>	<u>\$ 50,160,000</u>

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

General Fund Budgetary Highlights

- The unemployment rate for Buncombe County is currently 4.0%, up from a rate of 3.6% one year ago. This compares favorably to the state's average unemployment rate of 5.1%.
- Population of 75,947 has grown 9.7% from 2000 to 2006.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Asheville's budget for the 2008 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$21,873,433. The City of Asheville has appropriated \$4,421,019 of this amount to balance the FY 2007-08 budget.

Budget Highlights for the Fiscal Year Ending June 30, 2008.

The City's adopted General Fund budget for FY 2008 totaled \$89,228,929, which represents a 9.7% increase over the FY 2007 budget. The FY 2008 budget includes \$450,000 to fund the second year implementation of the market-based compensation plan. Police and Fire expenditures continue to be the largest component of the City's General Fund budget comprising 37% of the total FY 2008 General Fund budget. The budget includes \$475,000 to enhance police services by adding two additional beats, increasing staffing at the telecommunications center and in forensics, and adding 3 detective positions. \$79,000 is budgeted to bolster fire services in two rural areas of the city, while \$130,000 is included to fund a new firefighter retirement benefit. Approximately \$460,000 is included to provide a full-year's funding for 23 positions that were only funded for a partial year in FY 2007. Of these positions, 18 are firefighter positions for the two new fire stations that opened in July 2007. The General Fund budget also includes \$9.7 million in pay-as-you-go capital improvement funding. This funding will allow the City to continue replacing its aging fleet of vehicles and undertake several other high priority projects, including the Hominy Creek and French Broad River greenway projects, traffic & pedestrian improvements, the completion of the E. Oakview Bridge project, and the I-40 noise wall enhancement. The fiscal year 2008 General Fund budget includes \$6.21 in debt service for the City's general obligation bonds, certificates of participation (COPs), and other general debt obligations, which is a decrease compared to the prior year. The City will issue new general fund debt in FY 2008 to fund the replacement of various large pieces of equipment in fire and public works, and the upgrade of the City's enterprise software system.

Business-type Activities. The FY 2008 budget for the Water Resources Fund includes \$6.0 million from the capital maintenance fee, which was implemented in FY 2007. The purpose of this fee is to provide funding for major capital improvements such as water line replacements and water treatment source improvements. With this fee, the total capital budget for FY 2008 is \$7.5 million. This total

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

includes funding for the Fairview Reservoir, the Clingman Avenue project, the NCDOT Long Shoals I26-US25 project, rolling stock, and small capital equipment. Aside from the capital improvement fee, the Water budget maintains current rates, and it is assumed that there will be no growth in demand. Operating expenses will be reduced or held constant wherever possible. Water Resources' debt service for FY 2008, which is 17% of the total budget, includes debt service for the 1992 General Obligation Bonds, the 1996 NC Water Quality Loan, Series 1996 Revenue Bonds, and Series 2001 Revenue Bonds.

During fiscal 2007, there was a \$5,164,465 increase in appropriations between the original and final amended budget of expenditures. Some of the components of that increase were:

- \$2.5 million appropriated to the capital reserve fund for high priority capital projects;
- \$593,987 appropriated for reserve for encumbrances;
- \$132,996 appropriated for additional development review staff to be funded with state utility tax revenue;
- \$115,428 appropriated to the Transit department for fare box changes and to continue evening service;
- \$183,590 in reimbursement revenue from FEMA appropriated for Azalea Park damage;
- \$694,000 in stop-loss insurance recovery revenue appropriated to cover health care expenditures;
- \$250,000 appropriated from fund balance to purchase land at the airport;
- \$325,000 appropriated from fund balance to fund the lease purchase agreement for Beaucatcher Mountain property.

Ad valorem taxes exceeded budget expectations because revaluation appeals were lower than expected and the assessed valuation of real property increased by 5.5% rather than the estimated 3.5%. Local option sales tax revenue increased by 10.69% in fiscal year 2007 and exceeded budget by \$1.5 million. Investment earnings exceeded budgetary expectations due to the increase in interest rates, a shorter reimbursement philosophy and more available cash for investments. The other major General Fund revenue categories – intergovernmental and charges for services – also exceeded budget estimates.

Requests for information

This financial report is designed to provide a general overview of the City of Asheville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Financial Officer, City of Asheville, PO Box 7148, Asheville NC 28802.

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Basic Financial Statements

The basic financial statements for the City of Asheville consist of both entity-wide and fund financial statements.

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CITY OF ASHEVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2007

Exhibit A

	Primary Government			Component Unit City of Asheville ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 40,709,499	\$ 21,751,149	\$ 62,460,648	\$ 2,139,550
Receivables (net of allowance for uncollectibles)	11,528,694	8,957,960	20,486,654	3,492
Due from Component Unit	266,904	-	266,904	-
Internal balances	2,508,198	(2,508,198)	-	-
Inventories	931,409	83,040	1,014,449	1,660,273
Prepays	-	14,967	14,967	79,604
Restricted assets:				
Cash and investments	8,138,623	18,202,323	26,340,946	-
Capital assets:				
Land	27,335,953	10,271,758	37,607,711	1,996,517
Buildings and improvements	45,379,341	80,604,532	125,983,873	2,453,372
Machinery and equipment	31,075,038	16,576,270	47,651,308	903,040
Infrastructure	204,948,506	112,545,959	317,494,465	-
Construction in progress	14,906,457	7,787,702	22,694,159	-
Accumulated depreciation	(133,257,906)	(80,500,954)	(213,758,860)	(1,527,679)
Unamortized debt issuance cost	-	876,181	876,181	-
Total assets	<u>254,470,716</u>	<u>194,662,689</u>	<u>449,133,405</u>	<u>7,708,169</u>
LIABILITIES				
Accounts payable and other current liabilities	3,123,282	4,135,327	7,258,609	1,863,597
Customer deposits	-	514,824	514,824	-
Accrued interest payable	222,774	823,209	1,045,983	-
Due to primary government	-	-	-	266,904
Unearned revenue	238,131	244,767	482,898	-
Noncurrent liabilities:				
Due within one year	7,012,608	4,113,124	11,125,732	-
Due in more than one year	25,252,747	45,952,384	71,205,131	-
Total liabilities	<u>35,849,542</u>	<u>55,783,635</u>	<u>91,633,177</u>	<u>2,130,501</u>
NET ASSETS				
Invested in capital assets, net of related debt	166,595,239	99,338,962	265,934,201	3,818,040
Restricted for:				
Employee paid health benefits	3,470,601	-	3,470,601	-
Risk management	3,508,659	-	3,508,659	-
Working capital	-	-	-	598,362
Perpetual care:				
Nonexpendable	292,830	-	292,830	-
Capital projects	-	-	-	1,033,242
Unrestricted	44,753,845	39,540,092	84,293,937	128,024
Total net assets	<u>\$ 218,621,174</u>	<u>\$ 138,879,054</u>	<u>\$ 357,500,228</u>	<u>\$ 5,577,668</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ASHEVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Exhibit B

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 18,248,574	\$ 8,766,258	\$ 1,083,666	\$ 132,593
Public safety	34,453,963	3,747,167	215,144	638,527
Highways and streets	21,238,852	1,826,860	2,282,069	-
Environmental protection	-	-	-	-
Economic development	5,920,353	-	2,978,454	444,295
Culture and recreation	9,767,235	1,313,096	18,406	1,158,617
Interest on long term debt	1,243,027	-	-	-
Total governmental activities	<u>90,872,004</u>	<u>15,653,381</u>	<u>6,577,739</u>	<u>2,374,032</u>
Business-type activities:				
Water resources	20,616,840	30,465,188	-	2,145,480
Civic Center	2,220,029	1,555,468	-	-
Festivals	1,314,846	868,327	-	-
Parking Services	1,330,059	2,870,278	-	-
Mass Transit	4,633,166	968,274	2,373,935	1,425,059
Stormwater	2,500,297	3,035,331	-	-
Golf Course	996,314	894,037	-	-
Total business-type activities	<u>33,611,551</u>	<u>40,656,903</u>	<u>2,373,935</u>	<u>3,570,539</u>
Total primary government	<u>\$ 124,483,555</u>	<u>\$ 56,310,284</u>	<u>\$ 8,951,674</u>	<u>\$ 5,944,571</u>
Component unit:				
ABC Board	19,680,838	19,892,975	-	-
Total component unit	<u>\$ 19,680,838</u>	<u>\$ 19,892,975</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

- Property taxes
- Sales taxes
- Other taxes
- Alcoholic beverage tax
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings & miscellaneous
- Gain (loss) on sale of capital assets

Special Item

Transfers

Total general revenues, transfers and special item

Changes in net assets

Net assets - beginning

Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	City of Asheville ABC Board
\$ (8,266,057)	\$ -	\$ (8,266,057)	\$ -
(29,853,125)	-	(29,853,125)	-
(17,129,923)	-	(17,129,923)	-
-	-	-	-
(2,497,604)	-	(2,497,604)	-
(7,277,116)	-	(7,277,116)	-
(1,243,027)	-	(1,243,027)	-
(66,266,852)	-	(66,266,852)	-
-	11,993,828	11,993,828	-
-	(664,561)	(664,561)	-
-	(446,519)	(446,519)	-
-	1,540,219	1,540,219	-
-	134,102	134,102	-
-	535,034	535,034	-
-	(102,277)	(102,277)	-
-	12,989,826	12,989,826	-
(66,266,852)	12,989,826	(53,277,026)	-
-	-	-	212,137
-	-	-	212,137
41,254,144	-	41,254,144	-
17,399,165	-	17,399,165	-
6,163,480	-	6,163,480	-
-	-	-	-
1,512,902	-	1,512,902	-
3,127,186	1,170,876	4,298,062	101,237
(89,351)	51,175	(38,176)	985,862
5,044,004	-	5,044,004	-
(2,316,936)	2,316,936	-	-
72,094,594	3,538,987	75,633,581	1,087,099
5,827,742	16,528,813	22,356,555	1,299,236
212,793,432	122,350,241	335,143,673	4,278,432
\$ 218,621,174	\$ 138,879,054	\$ 357,500,228	\$ 5,577,668

**CITY OF ASHEVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

Exhibit C

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and investments	\$ 29,056,647	\$ 6,287,563	\$ 35,344,210
Receivables (net of allowance for uncollectibles)	5,064,912	6,463,782	11,528,694
Due from other funds	2,579,531	-	2,579,531
Due from component unit	266,904	-	266,904
Inventories	931,409	-	931,409
Cash -- restricted	6,979,259	1,159,364	8,138,623
Total assets	\$ 44,878,662	\$ 13,910,709	\$ 58,789,371
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and other accrued liabilities	\$ 2,809,461	\$ 313,821	\$ 3,123,282
Due to other funds	-	71,333	71,333
Deferred revenue	216,510	3,886,787	4,103,297
Unearned revenue	238,131	-	238,131
Total liabilities	3,264,102	4,271,941	7,536,043
Fund balances:			
Reserved:			
For inventories	931,409	-	931,409
For encumbrances	4,157,243	1,188,436	5,345,679
For housing partnership	-	1,462,620	1,462,620
For employee paid health benefits	3,470,601	-	3,470,601
For risk management	3,508,659	-	3,508,659
By state statute	7,694,837	2,517,686	10,212,523
For perpetual care	-	292,830	292,830
Unreserved, reported in:			
General fund			
Designated for subsequent year's budget	4,421,019	-	4,421,019
Designated for law enforcement special separation allowance	3,500,082	-	3,500,082
Undesignated:			
General fund	13,930,710	-	13,930,710
Special revenue funds	-	833,693	833,693
Capital project funds	-	3,343,503	3,343,503
Total fund balances	41,614,560	9,638,768	51,253,328
Total liabilities and fund balances	\$ 44,878,662	\$ 13,910,709	

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	190,387,389
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	4,103,297
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements.	(32,265,355)
The internal service fund is used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	5,365,289
Other accrual adjustments that do not require current financial resources and therefore, are not reported in fund statements.	(222,774)

Net assets of governmental activities	\$ 218,621,174
--	-----------------------

The notes to the financial statements are an integral part of this statement.

CITY OF ASHEVILLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES,
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit D

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem taxes	\$ 41,263,802	\$ -	\$ 41,263,802
Other taxes	17,859,437	-	17,859,437
Intergovernmental	9,302,493	5,666,898	14,969,391
Licenses and permits	5,877,788	-	5,877,788
Charges for services	9,775,593	-	9,775,593
Private donations	9,735	1,350,167	1,359,902
Investment earnings	1,711,622	218,134	1,929,756
Miscellaneous	330,730	545,420	876,150
Total revenues	<u>86,131,200</u>	<u>7,780,619</u>	<u>93,911,819</u>
EXPENDITURES			
Current:			
General government	14,932,794	116,625	15,049,419
Public safety	33,785,294	4,701,016	38,486,310
Public works	10,419,635	1,366,297	11,785,932
Human services	50,000	3,669,700	3,719,700
Planning	1,509,864	689,504	2,199,368
Engineering	1,861,071	770,771	2,631,842
Culture and recreation	7,900,654	1,454,925	9,355,579
Debt service:			
Principal	4,238,455	170,000	4,408,455
Interest	1,282,734	-	1,282,734
Total expenditures	<u>75,980,501</u>	<u>12,938,838</u>	<u>88,919,339</u>
Excess of revenues over (under) expenditures	<u>10,150,699</u>	<u>(5,158,219)</u>	<u>4,992,480</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	4,098,796	4,098,796
Transfers out	(6,415,732)	-	(6,415,732)
Long-term debt issued	-	-	-
Sale of capital assets	253,619	-	253,619
Total other financing sources and (uses)	<u>(6,162,113)</u>	<u>4,098,796</u>	<u>(2,063,317)</u>
Net change in fund balances	3,988,586	(1,059,423)	2,929,163
Fund balances - beginning	37,625,974	10,698,191	48,324,165
Fund balances - ending	<u>\$ 41,614,560</u>	<u>\$ 9,638,768</u>	<u>\$ 51,253,328</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ASHEVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit E

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances--total governmental funds (Exhibit D)	\$ 2,929,163
Depreciation expense is not a use of current financial resources and therefore, is not reported in the governmental fund statements.	(13,611,422)
Capital asset additions are a use of current financial resources and therefore, are not reported as expenditures in the governmental fund statements.	7,728,814
Contribution of capital assets	153,000
Capital assets, donated	(429,788)
Proceeds from sale of capital assets	(253,619)
Loss on sale of capital assets	(89,351)
Net change in accrued interest payable	39,707
Property tax revenue and other revenues in the statement of activities that do not provide current financial resources and, therefore, are deferred in the fund statements	(324,071)
Debt service payments use current financial resources and are reported in the governmental fund statements but are a reduction in a liability on the government-wide statements.	4,408,455
Other reconciling item	(33,226)

Adjustments to other long-term obligations that do not require current financial resources and therefore, are not reported as expenditures in the governmental fund statements:

Accrued vacation	26,633
Estimated claims incurred but not reported	
Unfunded pension obligation	(81,842)
The internal service fund is used by management to charge the costs of Risk Management to the individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.	5,365,289
Change in net assets of governmental activities (Exhibit B)	<u>\$ 5,827,742</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ASHEVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit F

	Budgeted Amounts			Variance with
				Final Budget-
	Original	Final	Actual	Positive
REVENUES			Amounts	(Negative)
Taxes:				
Ad valorem taxes	\$ 37,961,435	\$ 39,161,435	\$ 41,263,802	\$ 2,102,367
Local option sales tax	15,873,497	16,347,062	17,399,165	1,052,103
Payments in lieu of taxes	96,280	96,280	139,356	43,076
Other taxes	262,418	262,418	320,916	58,498
Intergovernmental	8,465,766	8,624,589	9,302,493	677,904
Licenses and Permits	4,885,214	4,885,214	5,877,788	992,574
Charges for services	8,903,264	9,097,264	9,775,593	678,329
Private donations	-	73,000	9,735	(63,265)
Investment earnings	687,500	835,500	1,711,622	876,122
Miscellaneous	149,900	149,900	330,730	180,830
Total revenues	77,285,274	79,532,662	86,131,200	6,598,538
EXPENDITURES				
Current:				
General government	14,605,190	17,406,293	14,932,794	2,473,499
Public safety	34,192,169	34,698,473	33,785,294	913,179
Public works	10,788,415	10,866,452	10,419,635	446,817
Human services	50,000	50,000	50,000	-
Planning	1,448,885	1,537,121	1,509,864	27,257
Engineering	2,012,419	2,109,882	1,861,071	248,811
Culture and recreation	7,671,620	7,976,643	7,900,654	75,989
Debt service:				
Principal	3,542,098	4,240,350	4,238,455	1,895
Interest and fees	2,731,023	1,502,352	1,282,734	219,618
Total expenditures	77,041,819	80,387,566	75,980,501	4,407,065
Excess of revenues over expenditures	243,455	(854,904)	10,150,699	11,005,603
OTHER FINANCING SOURCES (USES)				
Appropriated fund balance	445,282	4,352,909	-	(4,352,909)
Transfers out	(3,754,462)	(6,415,732)	(6,415,732)	-
Long-term debt issued	3,012,725	2,864,727	-	(2,864,727)
Sale of capital assets	53,000	53,000	253,619	200,619
Total other financing sources and (uses)	(243,455)	854,904	(6,162,113)	(7,017,017)
Net change in fund balance	\$ -	\$ -	3,988,586	\$ 3,988,586
Fund balance - beginning			37,625,974	
Fund balance - ending			\$ 41,614,560	

The notes to the financial statements are an integral part of this statement.

CITY OF ASHEVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

Exhibit G

	Water Resources	Nonmajor Enterprise Funds	Totals	Internal Service Fund
ASSETS				
Current assets:				
Cash and investments	\$ 18,669,264	\$ 3,081,885	\$ 21,751,149	\$ 5,365,289
Accounts receivable (net of allowance for uncollectibles)	3,342,926	880,203	4,223,129	-
Accounts receivable MSD (net of allowance for uncollectibles)	2,278,647	-	2,278,647	-
Intergovernmental receivable	-	2,456,184	2,456,184	-
Inventories	-	83,040	83,040	-
Prepays	-	14,967	14,967	-
Restricted cash and investments	16,628,392	1,573,931	18,202,323	-
Total current assets	<u>40,919,229</u>	<u>8,090,210</u>	<u>49,009,439</u>	<u>5,365,289</u>
Noncurrent assets:				
Capital assets:				
Land	4,276,933	5,994,825	10,271,758	-
Buildings and improvements	59,282,631	21,321,901	80,604,532	-
Machinery and equipment	7,362,065	9,214,205	16,576,270	-
Water system/sewer system	100,530,307	-	100,530,307	-
Infrastructure	-	12,015,652	12,015,652	-
Construction in progress	6,630,319	1,157,383	7,787,702	-
Total capital assets	178,082,255	49,703,966	227,786,221	-
Accumulated depreciation	(52,782,710)	(27,718,244)	(80,500,954)	-
Net capital assets	125,299,545	21,985,722	147,285,267	-
Unamortized debt issuance cost	868,314	7,867	876,181	-
Total noncurrent assets	<u>126,167,859</u>	<u>21,993,589</u>	<u>148,161,448</u>	<u>-</u>
Total assets	<u>167,087,088</u>	<u>30,083,799</u>	<u>197,170,887</u>	<u>5,365,289</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,101,897	73,070	1,174,967	-
Customer deposits	514,324	500	514,824	-
Accrued interest payable	797,289	25,920	823,209	-
Other accrued expenses	207,352	96,228	303,580	-
Due to other funds	-	2,508,198	2,508,198	-
Due to other governmental units	2,656,780	-	2,656,780	-
Bonds payable	2,958,899	-	2,958,899	-
Installment purchase contracts	-	613,002	613,002	-
Compensated absences	346,916	194,307	541,223	-
Unearned revenue	-	244,767	244,767	-
Total current liabilities	<u>8,583,457</u>	<u>3,755,992</u>	<u>12,339,449</u>	<u>-</u>
Noncurrent liabilities:				
Bonds payable	44,245,404	-	44,245,404	-
Installment purchase contracts	-	129,000	129,000	-
Unamortized bond premiums	1,577,980	-	1,577,980	-
Total noncurrent liabilities	<u>45,823,384</u>	<u>129,000</u>	<u>45,952,384</u>	<u>-</u>
Total liabilities	<u>54,406,841</u>	<u>3,884,992</u>	<u>58,291,833</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	78,095,242	21,243,720	99,338,962	-
Unrestricted	34,585,005	4,955,087	39,540,092	5,365,289
Total net assets	<u>\$ 112,680,247</u>	<u>\$ 26,198,807</u>	<u>\$ 138,879,054</u>	<u>\$ 5,365,289</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ASHEVILLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit II

	<u>Water Resources</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Fund</u>
OPERATING REVENUES				
Charges for services	\$ 30,426,858	\$ 7,670,509	\$ 38,097,367	\$ -
Rents	9,190	998,189	1,007,379	-
Concessions	-	968,128	968,128	-
Miscellaneous revenues	29,140	554,889	584,029	-
Total operating revenues	<u>30,465,188</u>	<u>10,191,715</u>	<u>40,656,903</u>	<u>-</u>
OPERATING EXPENSES				
Cost of merchandise sold	-	386,613	386,613	-
Administration	14,091,207	11,097,477	25,188,684	-
Depreciation	4,229,696	1,305,170	5,534,866	-
Total operating expenses	<u>18,320,903</u>	<u>12,789,260</u>	<u>31,110,163</u>	<u>-</u>
Operating income (loss)	<u>12,144,285</u>	<u>(2,597,545)</u>	<u>9,546,740</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES):				
Operating grants	-	2,373,935	2,373,935	-
Interest earned	989,590	181,286	1,170,876	321,285
Interest expense	(2,295,937)	(205,451)	(2,501,388)	-
Gain on sale of capital assets	50,232	943	51,175	-
Total nonoperating revenues (expenses)	<u>(1,256,115)</u>	<u>2,350,713</u>	<u>1,094,598</u>	<u>321,285</u>
Income (loss) before transfers and capital contributions	<u>10,888,170</u>	<u>(246,832)</u>	<u>10,641,338</u>	<u>321,285</u>
Transfers in/out:				
Transfers from General Fund	-	2,404,936	2,404,936	-
Transfers to Grant Fund	-	(88,000)	(88,000)	-
Special Item	-	-	-	5,044,004
Capital contributions	2,145,480	1,425,059	3,570,539	-
Changes in net assets	<u>13,033,650</u>	<u>3,495,163</u>	<u>16,528,813</u>	<u>5,365,289</u>
Total net assets - beginning	99,646,597	22,703,644	122,350,241	-
Total net assets - ending	<u>\$ 112,680,247</u>	<u>\$ 26,198,807</u>	<u>\$ 138,879,054</u>	<u>\$ 5,365,289</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ASHEVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

Exhibit I

	<u>Water Resources</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Fund</u>
Cash flows from operating activities:				
Cash received from customers	\$ 29,393,526	\$ 9,861,518	\$ 39,255,044	\$ -
Cash paid for goods and services	(7,396,941)	(8,334,344)	(15,731,285)	-
Cash paid to employees	(5,992,182)	(3,591,216)	(9,583,398)	-
Cash from special item	-	-	-	5,044,004
Net cash provided by (used for) operating activities	<u>16,004,403</u>	<u>(2,064,042)</u>	<u>13,940,361</u>	<u>5,044,004</u>
Cash flows from non-capital financing activities:				
Grants received	-	1,076,139	1,076,139	-
Transfers to other funds	-	(336,116)	(336,116)	-
Transfers received from other funds	-	2,653,052	2,653,052	-
Advances paid to other funds	-	1,792,379	1,792,379	-
Net cash provided by non-capital financing activities	<u>-</u>	<u>5,185,454</u>	<u>5,185,454</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Receipts from capital grants or contributions	172,252	1,418,295	1,590,547	-
Acquisition and construction of capital assets	(5,441,804)	(1,697,620)	(7,139,424)	-
Principal paid on debt	(2,658,511)	(577,640)	(3,236,151)	-
Interest paid on debt	(1,925,298)	(208,426)	(2,133,724)	-
Proceeds from sale of capital assets	50,232	943	51,175	-
Net cash used for capital and related financing activities	<u>(9,803,129)</u>	<u>(1,064,448)</u>	<u>(10,867,577)</u>	<u>-</u>
Cash flows from investing activities:				
Proceeds from sale of investments	300,087	-	300,087	-
Interest earned	940,606	181,286	1,121,892	321,285
Net cash provided by investing activities	<u>1,240,693</u>	<u>181,286</u>	<u>1,421,979</u>	<u>321,285</u>
Net increase in cash and cash equivalents	7,441,967	2,238,250	9,680,217	5,365,289
Cash and cash equivalents:				
Beginning of year, July 1	25,892,355	2,417,566	28,309,921	-
End of year, June 30	<u>\$ 33,334,322</u>	<u>\$ 4,655,816</u>	<u>\$ 37,990,138</u>	<u>\$ 5,365,289</u>

(continued)

	Water Resources	Nonmajor Enterprise Funds	Totals	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 12,144,285	\$ (2,597,545)	\$ 9,546,740	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	4,229,696	1,305,170	5,534,866	-
Special item	-	-	-	5,044,004
Changes in assets and liabilities:				
Increase in accounts receivable	(1,218,262)	(348,912)	(1,567,174)	-
Decrease in inventories	-	6,345	6,345	-
Decrease in prepaids	-	4,676	4,676	-
Increase (decrease) in other accrued expenses	91,273	(1,075)	90,198	-
Increase (decrease) in accounts payable	156,947	(515,651)	(358,704)	-
Increase in unearned revenue	-	18,715	18,715	-
Increase in accrued compensated absences	52,454	64,235	116,689	-
Decrease in due to other governmental units	401,410	-	401,410	-
Increase in due from other governmental units	106,569	-	106,569	-
Increase in customer deposits	40,031	-	40,031	-
Total adjustments	3,860,118	533,503	4,393,621	5,044,004
Net cash provided by (used for) operating activities	\$ 16,004,403	\$ (2,064,042)	\$ 13,940,361	\$ 5,044,004
Reconciliation of cash and cash equivalents:				
Cash and investments:				
Unrestricted	\$ 18,669,264	\$ 3,081,885	\$ 21,751,149	\$ 5,365,289
Restricted	16,628,392	1,573,931	18,202,323	-
Total cash and investments	35,297,656	4,655,816	39,953,472	5,365,289
Less: Investments	1,963,334	-	1,963,334	-
Cash and cash equivalents	\$ 33,334,322	\$ 4,655,816	\$ 37,990,138	\$ 5,365,289
			(concluded)	

CITY OF ASHEVILLE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2007

Exhibit J

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 452,706
Total assets	<u>\$ 452,706</u>
LIABILITIES	
Accounts payable	\$ 452,706
Total liabilities	<u>\$ 452,706</u>

The notes in the financial statements are an integral part of this statement.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Asheville (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

A. Reporting Entity

The City of Asheville is a municipal corporation that is governed by an elected mayor and a six-member council. As required by GAAP, these financial statements present the City, its component units and legally separate entities for which the City is financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and, as such, are included in the reporting entity. The discretely presented component unit below is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

Included within the reporting entity:

Asheville Board of Alcoholic Control (the "ABC Board"). The Asheville Board of Alcoholic Control was organized under the provisions of House Bill No. 1124 of the North Carolina General Assembly and implemented by a citywide election held November 14, 1947. The local ABC Board may borrow money in accordance with North Carolina General Statute 18B-702(b) and the City's governing body who appoint all three ABC Board members shall in no way be held responsible for the debts of the ABC Board. The ABC Board is required by state statute to distribute its surpluses to the General Fund of the City, which represents a financial benefit to the City. Therefore, the ABC Board is reported as a discretely presented component unit. Complete financial statements for the ABC Board may be obtained from the Asheville Board of Alcoholic Control's administrative offices at 1 Cherry Street North, Asheville, NC 28801.

Asheville Public Financing Corporation (the "APFC"). The Asheville Public Financing Corporation is a non-profit corporation chartered in 1991 with the specific purpose of assisting the City of Asheville in various types of financing arrangements. The Corporation is governed by a board of directors whose three members serve for one year or until successors are elected. One of the three members is appointed by the city manager. The board of directors elects the remaining directors. The Corporation has no assets, liabilities, revenues or expenses. All rights, title and interest to all financing contracts with the City have been assigned to various bank trustees. All financing arrangements with the City have been disclosed in the accompanying notes to basic financial statements.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

Asheville Claims Corporation (the "ACC"). The Asheville Claims Corporation is a non-profit corporation chartered in 1993 with the specific purpose of assisting the City of Asheville in risk management and the administration of claims. The ACC is governed by a board of directors whose three members serve for one year or until successors are elected. One of the three members is appointed by the city manager. The board of directors elects the remaining members. The ACC has no assets, liabilities, revenues or expenses. All rights, title and interest to the claims contract with the City have been assigned to a bank trustee. All financing arrangements with the City have been disclosed in the accompanying notes to the basic financial statements.

B. Related Organizations

Housing Authority of the City of Asheville ("Housing Authority"). The Mayor appoints the five-member Board of the Housing Authority of the City of Asheville. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority.

Asheville City School System ("School System"). The Asheville City Council appoints the five-member Board of the Asheville City School System. The City is accountable for the School System because it appoints a majority of the governing board; however, the City is not financially accountable for the School System.

C. Jointly Governed Organizations

Asheville Regional Airport Authority. The City, in conjunction with Buncombe County, participates in a regional airport. Each participating government appoints three members and the six appointees then appoint one additional member to make up the seven-member board. The City has no obligation to fund any deficits, any claim on assets or obligation for liabilities. The Authority is included in Buncombe County's Financial Statements as a discretely presented component unit.

D. Measurement Focus Basis of Accounting & Financial Presentation

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstration compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. In accordance with North Carolina Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period, except for property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administration expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Buncombe County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities in the County, including the City of Asheville. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in Buncombe County from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed this period are shown as a receivable in these financial statements and are offset by deferred revenues. In addition, as of

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annual registration expired December 31 each year with taxes due by May 1 of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2007 because they are intended to finance the City's operations during the 2008 fiscal year. Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as deferred revenues. Under the terms of the grant agreements, the City funds certain programs in combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenditures are incurred, there are both restricted and unrestricted net assets available to finance the program. Excluding debt funding, it is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

In the event that debt proceeds are included, the City will spend debt proceeds first unless there is an agreement tying specific expenditures to grant proceeds. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

As permitted by accounting principles generally accepted in the United States of America, the City and the ABC Board have elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its government-wide and proprietary operations.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

The City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds. The primary revenue sources are ad valorem taxes, various other taxes and licenses and State-shared revenues. The primary expenditures are for public safety, streets and highways, sanitation, recycling, parks and recreation, general government services, risk management and benefits, information technology and debt service for the payment of general long-term principal, interest, and related costs.

The City reports the following non-major governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes. The City has the following Special Revenue Funds: Grant Programs, Community Development, Section 108 Rehabilitation, Affordable Home Ownership, and Housing Partnership.

Capital Project Funds - The Capital Project Funds are used to account for financial resources to be used for the acquisition and/or construction of major capital facilities (other than those financed by proprietary funds) and infrastructure. The City has four Capital Project Funds: Federal Capital Projects, General Capital Projects, Street/Sidewalk Capital Improvements and Sewer Capital Projects.

Perpetual Care Permanent Fund - This fund is used to account for perpetual care of the City's Riverside Cemetery.

The City reports the following major proprietary fund:

Water Resources - The Water Resources Fund is an enterprise fund used to account for operations and maintenance of the City's water system that includes operation of two water treatment plants. This fund also covers acquisition and/or construction of major utility capital facilities and infrastructure, as well as the debt service for the payment of utility long-term debt principal, interest, and related costs which are accounted for in sub-funds.

The City reports the following non-major enterprise funds: Civic Center, Parking Services, Festivals, Mass Transit, Stormwater and Golf Course.

Internal Service Fund - During the current year, the City created an internal service fund to account for its self-insurance program. The fund is not yet fully operational as the City was not able to change its budgeting and accounting system to allocate its charges and claims. The only activity recorded in the internal service fund this year was the receipt of the special item discussed in note 12.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

Additionally the City reports the following fund types:

Agency Fund – Agency funds are custodial in nature and do not involve the measurement of operating results. The City maintains the Civic Center Agency Fund for the purpose of segregating the box office activities for the various promoters.

E. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Community Development Fund, Water Resources Fund and the other non-major Enterprise Funds. Multi-year budgets are adopted for the non-major Governmental Funds, except for the Community Development Fund, and Enterprise Capital Projects Funds. All annual appropriations lapse at the fiscal-year end. As required by State law [N. C. General Statute 159-26(d)], the City maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as "reserved for encumbrances" in the fund balance section of the balance sheet and will be charged against the subsequent year's budget.

All budgets are prepared using the modified accrual basis of accounting. N.C. General Statute 159-13(a)(3) requires the budget ordinance make appropriations by department, function or project. The City has defined its annual operating funds to be functions; therefore, expenditures may not legally exceed appropriations at the fund level for all annual operating funds. Expenditures may not legally exceed appropriations at the project level for all multi-year project funds. Amendments are required for any revisions that alter the total fund or project budget and must be approved by City Council. The City internally manages expenditures on a line item and departmental basis and although not legally required, budget amendments may be required between line items and between departments of the same function. The Budget department must approve all of these internal budget amendments and some of these amendments are forwarded to the City Manager for additional approval. During the year numerous budget amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

F. Assets, Liabilities, and Net Assets/Fund Balance

1. Deposits and investments

The deposits of the City and the ABC Board are secured as required by North Carolina General Statute ("G. S.") 159-31. The City may establish official depositories with any bank or savings association whose principal office is located in North Carolina. The City and the ABC Board may establish time deposits in the form of NOW and SUPERNOW accounts, money market accounts, and certificates of deposits.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

G.S. 159-30 (c) authorizes the City and the ABC Board to invest in obligations of the U.S. Treasury; obligations of any agency of the United State of America, provided the payment of the interest and principal of such obligations is fully guaranteed by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered (2a-7) mutual fund.

The City and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices.

The securities of the NCCMT Cash Portfolio are valued at fair value, which is the NCCMT's share price. The City intends, and has the ability, to hold all securities to maturity.

In accordance with State law, the City and the ABC Board have invested in securities, which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

The City pools moneys from all funds, except unspent bond proceeds, to facilitate disbursement and investment and maximize investment income. The City and the ABC Board consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

2. Receivables and payables

According to the North Carolina General Statutes, ad valorem taxes levied on July 1 beginning of the fiscal year, are due September 1, but interest and penalties do not accrue until the following January 6, the lien date.

Property taxes on certain registered motor vehicles are assessed and collected throughout the year. The taxes are based on the assessed values as of January 1, 2006.

Within the fund financials ad valorem taxes receivable are not accrued as revenue because the amount is not considered "available." At June 30, taxes receivable are significantly past due and are not considered to be an available resource to finance the operations of the subsequent year. Accounting principles generally accepted in the United States of America state that property tax revenues, which are measurable but not available, should be recorded as unearned revenues. The receivable amount is reduced by an allowance for doubtful accounts and an amount equal to the net receivable is included in the governmental balance sheet and the statement of net assets. Any property taxes collected in advance of the fiscal year to which they apply are recorded as unearned revenues.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
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An allowance for doubtful accounts is maintained on the ad valorem taxes receivable as described above. The City also maintains an allowance for doubtful accounts for water service accounts receivable, stormwater accounts receivable and other miscellaneous receivables.

3. Inventories and prepaids

Inventories are determined by physical count and valued at cost (using the first-in, first-out method). Inventories in the governmental funds consist of expendable supplies held for consumption. The costs thereof have been recorded at the time items were purchased. Expenditure occurs when items are issued from inventory. Inventories in the non-major enterprise funds consist of materials and supplies held for subsequent use.

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaids in both government-wide and fund financial statements and are expended/expensed as balances are used.

4. Restricted assets

Certain cash balances are held as restricted. Restricted cash in the General Fund relates to the City's self-insurance program and are only available to pay claims and unspent debt proceeds. Restricted cash in the Water Resources Fund relates to unspent debt proceeds and is only available for specific projects. Restricted cash in the non-major governmental funds relates to cash held in trust to be loaned out under the City's Section 108 Rehabilitation Loan program and perpetual care of the City's cemetery and unspent debt proceeds.

5. Capital assets

Capital assets, which include land, buildings, equipment, vehicles and infrastructure (e.g., water & sewer lines, water tanks, roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets (not including general infrastructure) are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. General infrastructure assets are defined by the City as assets with an initial cost of more than \$50,000. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Governmental infrastructure assets (roads, sidewalks, bridges, etc.) acquired prior to July 1, 2003, consist of assets acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF ASHEVILLE
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Any interest incurred during the construction phase of proprietary fund type capital assets is reflected in the capitalized value of the asset constructed. Capital assets of the City and the ABC Board are depreciated using the straight-line method over the following estimates useful lives:

<u>Capital asset</u>	<u>Life</u>
Machinery and equipment	3-15 years
Building and improvements	20-50 years
Water System	50 years
Infrastructure	25-50 years

6. Compensated absences

The vacation policy of the City provides for the accumulation of up to a maximum of 40 days earned vacation leave, with such leave being fully vested when earned. All vacation pay is accrued when incurred in the government-wide, proprietary fund, and component unit financial statements. The City has assumed a last in first out method of using compensated time. The portion of that time that is estimated to be used in the next fiscal year has been shown as due within one year in note 7-H. ABC Board employees may accumulate up to 30 days earned vacation and such leave is fully vested when earned.

The City and the ABC Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither of the two entities is obligated for the accumulated sick leave until it is actually taken, no liability for sick leave has been recorded.

7. Long-term obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method of amortization. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

8. Net Assets/Fund Balances

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, reservations of the fund balance represent amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13 (b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts at the close of the fiscal year preceding in the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for Inventories – portion of fund balance that is not available for appropriation because it represents the year-end balance of inventories, which are not expendable available resources.

Reserved for Encumbrances – portion of fund balance available for appropriation to pay for commitments relating to unperformed contracts and purchase orders.

Reserved for Housing Partnership – portion of fund balance that is not available for appropriation because it is reserved for the City's Affordable Housing Program.

Reserved for Employee Paid Health Benefits – portion of fund balance that is not available for appropriation because it represents employee withholdings held in trust to be used to pay health claims.

Reserved for Risk Management – portion of fund balance that is not available for appropriation because it is reserved to meet the commitments of the City's Self-Insurance Program.

Reserved by State Statute – portion of fund balance not available for appropriation after consideration of other reservations of fund balance. G.S. 159-13(b)(16) restricts appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

Reserved for Perpetual Care – portion of fund balance available for appropriation to pay for maintenance of the City's cemetery.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

Unreserved

Designated for Subsequent Year's Budget - portion of total fund balance which has been appropriated in the 2007-2008 budget ordinance.

Designated for Law Enforcement Special Separation Allowance - portion of total fund balance, which has been designated for the actuarially determined un-funded portion of the law enforcement officers' special separation allowance.

Undesignated - portion of total fund balance for appropriation, which is uncommitted at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

All deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City and the ABC Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City and the ABC Board have no policy regarding custodial credit risk for deposits.

At June 30, 2007, the City's deposits had a carrying amount of \$16,321,692 and a bank balance of \$18,203,116. Of the bank balance, \$17,703,116 was covered by collateral held under the Pooling Method and \$500,000 was covered by federal depository insurance. The City also had \$35,750 in petty cash at year-end. The carrying amount for the ABC Board was \$2,131,650 and a bank balance of \$2,465,206. Of the bank balance, \$2,165,206 was covered by collateral held under the Pooling Method and \$300,000 was covered by Federal depository insurance.

The calculation of realized gains is independent of the calculation of the net increase/decrease in the fair value of investments that have been held in more than one fiscal year and sold in the current may have been recognized as an increase or decrease in the fair value of investments, reported in the prior year. The net increase in fair value during 2007 for the City was \$263,421. This amount takes into account all changes in fair value (including purchases, sales and

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

maturities) that occurred during the year. The unrealized gain on investments held at year end was \$343,863.

As of June 30, 2007 the City had the following investments and maturities:

Investment Type	Fair Value	0-6 Months	6-12 Months	1-3 Years	3+ years
US Government Securities	\$11,432,299	\$ 4,487,289	\$ 4,946,260	\$ 998,750	\$ 1,000,000
US Government Agencies	34,537,709	6,991,540	8,189,970	6,194,997	13,161,202
Commercial Paper	15,406,230	9,433,625	5,972,605	-	-
NC Cap Mgt Trust-Cash Portfolio	5,346,026	5,346,026	-	-	-
Escrow Money Markets	1,845,392	1,845,392	-	-	-
NC Cap Mgt Trust-Term Portfolio	2,329,202	2,329,202	-	-	-
NC State Ed Asst Authority	2,000,000	-	-	-	2,000,000
Total	<u>\$72,896,858</u>	<u>\$30,433,074</u>	<u>\$19,108,835</u>	<u>\$7,193,747</u>	<u>\$16,161,202</u>

*Because the NC Capital Management Trust Term Portfolio had a weighted average maturity of 0.9 years, it was presented as an investment with a maturity of 6-12 months.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than six years.

Credit Risk. The City will minimize credit risk by limiting investments to the safest type of securities, by pre-qualifying all with whom the City will do business and by diversifying the portfolio. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the City's investments in commercial paper were rated P1 by Standard & Poor's, and A1 by Moody's Investors Service. The City's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2007. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, obligations of the State of North Carolina, bonds and notes of North Carolina local governments/public authorities and in high grade money market instruments as permitted under North Carolina G.S. 159-30 as amended.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are insured or registered or held by the City or its agent in the City's name. The City has no policy on custodial risk.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

Concentration of Credit Risk. The City does not limit the amount of investment in any one issuer. More than 5% of the City's total investments are in Federal Home Loan Bank securities, representing 35% of the total investments and Federal National Mortgage Association securities, representing 29% of the total investments.

NOTE 3 – RECEIVABLES AND UNEARNED ASSETS

Receivables as of year-end for the City's fund financials and government-wide totals, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Non-major Gov't Funds	Gov't Activities	Business-Type Activities
Customers	\$ -	\$ -	\$ -	\$ 5,728,634
Property Taxes	963,500	-	963,500	-
Due From Other Governments	3,864,621	50,270	3,914,891	2,456,184
Accounts Receivable	1,018,378	325,620	1,343,998	930,207
Loans Receivable	-	6,087,892	6,087,892	-
Less: Allowance	(781,587)	-	(781,587)	(157,065)
Receivables (Net)	<u>\$ 5,064,912</u>	<u>\$ 6,463,782</u>	<u>\$ 11,528,694</u>	<u>\$ 8,957,960</u>

In conformity with accounting principles generally accepted in the United States of America, revenues that are measurable but not available are reported as unearned revenues in the fund statements. In addition, revenues collected in advance of the fiscal year to which they apply are reported as unearned assets.

At the June 30, 2007, the various components of deferred/unearned revenues were as follows:

	General Fund	Non-major Gov't Funds	Accrual Adjustments	Gov't Activities	Business-Type Activities
Property Taxes	\$ 216,510	\$ -	\$ (216,510)	\$ -	\$ -
Prepaid Taxes	238,131	-	-	238,131	-
Loans	-	1,154,173	(1,154,173)	-	-
Grants	-	2,732,614	(2,732,614)	-	-
Other	-	-	-	-	244,767
Total	<u>\$ 454,641</u>	<u>\$ 3,886,787</u>	<u>\$ (4,103,297)</u>	<u>\$ 238,131</u>	<u>\$ 244,767</u>

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balances	Additions	Retirements	Transfer In (Out)	Ending Balances
Governmental Activities:					
Capital assets, <u>Non-depreciable:</u>					
Land	\$ 27,321,138	\$ 333,015	\$ (318,200)	\$ -	\$ 27,335,953
Construction in Progress	12,266,712	6,478,522	(3,838,777)	-	14,906,457
Total Capital Assets, Non-depreciable	<u>39,587,850</u>	<u>6,811,537</u>	<u>(4,156,977)</u>	<u>-</u>	<u>42,242,410</u>
Capital Assets, <u>Depreciable:</u>					
Building & Improvements	45,098,905	397,256	(116,820)	-	45,379,341
Machinery & Equipment	28,420,969	4,299,603	(1,747,769)	102,235	31,075,038
Infrastructure	204,736,311	212,195	-	-	204,948,506
Total Capital Assets, Depreciable	<u>278,256,185</u>	<u>4,909,054</u>	<u>(1,864,589)</u>	<u>102,235</u>	<u>281,402,885</u>
Less Accumulated <u>Depreciation For:</u>					
Buildings & Improvements	14,701,116	1,680,851	(76,215)	-	16,305,752
Machinery & Equipment	17,554,335	2,523,081	(1,333,816)	102,235	18,845,835
Infrastructure	88,698,829	9,407,490	-	-	98,106,319
Total Accumulated Depreciation	<u>120,954,280</u>	<u>13,611,422</u>	<u>(1,410,031)</u>	<u>102,235</u>	<u>133,257,906</u>
Total capital assets being depreciated, net	<u>157,301,905</u>				<u>148,144,979</u>
Governmental Activities Capital Assets, Net	<u>\$ 196,889,755</u>				<u>\$ 190,387,389</u>

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers In (Out)</u>	<u>Ending Balances</u>
Business-Type Activities:					
Capital Assets, Non-depreciable:					
Land	\$ 10,271,758	\$ -	\$ -	\$ -	\$ 10,271,758
Construction in Progress	4,559,708	4,440,640	(1,212,646)	-	7,787,702
Total Capital Assets, Non-depreciable	<u>14,831,466</u>	<u>4,440,640</u>	<u>(1,212,646)</u>	<u>-</u>	<u>18,059,460</u>
Capital Assets, Depreciable:					
Building & Improvements	80,560,800	43,732	-	-	80,604,532
Machinery & Equipment	14,432,930	2,509,534	(263,959)	(102,235)	16,576,270
Infrastructure	109,208,525	3,521,438	(184,004)	-	112,545,959
Total Capital Assets, Depreciable	<u>204,202,255</u>	<u>6,074,704</u>	<u>(447,963)</u>	<u>(102,235)</u>	<u>209,726,761</u>
Less Accumulated Depreciation For:					
Buildings & Improvements	26,805,712	2,059,679	-	-	28,865,391
Machinery & Equipment	11,244,934	927,101	(263,959)	(102,235)	11,805,841
Infrastructure	37,281,636	2,548,086	-	-	39,829,722
Total Accumulated Depreciation	<u>75,332,282</u>	<u>5,534,866</u>	<u>(263,959)</u>	<u>(102,235)</u>	<u>80,500,954</u>
Total capital assets being depreciated, net	<u>128,869,973</u>				<u>129,225,807</u>
Business-Type Activities Capital Assets, Net	<u>\$ 143,701,439</u>				<u>\$ 147,285,267</u>

During the year the City recorded capital contributions in the amount of \$1,973,228 which represents the value of water lines turned over to the City for operation from completed housing developments.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

Depreciation expenses were charged to functions of the City as follows:

Governmental Activities:

General Governmental	\$ 964,067
Public Safety	1,822,223
Highways & Streets	9,805,821
Cultural & Recreational	<u>1,019,311</u>

Total depreciation expense-Governmental Activities	<u>\$ 13,611,422</u>
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Business-type Activities:

Water Resources	\$ 4,229,696
Non-major Enterprise Funds	<u>1,305,170</u>

Total depreciation expense-Business-type Activities	<u>\$ 5,534,866</u>
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The City has numerous active construction projects as of June 30, 2007. These projects include new street construction, widening and improvements of existing streets, new parks and related facilities, fire stations, fire trucks and pumpers, water system improvements and new construction, water plant expansions and other City facilities and equipment. The amount the City was contractually committed to spend at June 30, 2007 was \$6,089,247 and \$5,001,429 for governmental activities and business-type activities, respectively.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Community Development	\$ 20,909
	Affordable Home	50,424
	Festival Fund	1,143,478
	Transit Fund	1,364,720
Total		<u>\$ 2,579,531</u>

The outstanding balances between funds result mainly from the time lag between the dates that
(1) interfund goods and services are provided or reimbursable expenditures occur,
(2) transactions are recorded in the accounting system and (3) payments between funds are made.

The amounts payable to the General Fund relate to working capital loans made to the funds listed above.

Due to primary government and operating unit

Receivable entity	Payable Entity	Amount
Primary Government	Component unit-ABC Board	<u>\$ 266,904</u>

The amount payable to the general fund is a result of timing of funds due.

Interfund transfers:

	Transfers In			
Transfer Out	General Fund	Non-Major Governmental	Non-Major Enterprise	Total
General Fund	\$ -	\$ 4,010,796	\$ 2,404,936	\$ 6,415,732
Non-Major Governmental	-	114,358	-	114,358
Non-Major Enterprise	-	88,000	248,116	336,116
Total	<u>\$ -</u>	<u>\$ 4,213,154</u>	<u>\$ 2,653,052</u>	<u>\$ 6,866,206</u>

Transfers are used to move unrestricted general fund reserves to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various programs.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 6 - LONG TERM OBLIGATIONS

A. Installment Financing Contracts. The City has entered into various installment financing contracts with the Asheville Public Financing Corporation, a blended component unit, for renovation and construction of municipal facilities. These contracts were funded by the execution and delivery of Certificates of Participation and certain lease contracts. The outstanding contracts at June 30, 2007 are as follows:

	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2007
Governmental Activities:					
Municipal Building Series 1997-A	4.00-5.13	11/1/1997	6/1/2018	14,045,000	\$ 9,315,000
Refunding Series 1997-B	4.00-5.00	11/1/1997	6/1/2011	3,480,000	1,545,000
Fire Stations & Equip. Series 2006	3.92	6/28/2006	6/28/2021	8,030,300	7,195,444
Total Governmental					<u>18,055,444</u>
Business-type Activities:					
Parking Services Series 1992	5.00-6.50	2/15/1992	2/1/2008	5,385,000	570,000
Stormwater Series 2006	3.92	6/28/2006	6/28/2011	215,000	172,000
Total Business-type Activities					<u>742,000</u>
Total Installment Financing Contracts					<u>\$ 18,797,444</u>

Annual debt service requirements to maturity for Installment Financing Contracts for the governmental activities and for Business-type activities, are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 1,850,753	\$ 830,791	\$ 613,000	\$ 43,654
2009	1,895,753	748,362	43,000	4,954
2010	1,950,753	663,334	43,000	3,302
2011	2,005,753	575,185	43,000	1,652
2012	1,180,153	483,698	-	-
2013-2017	6,555,766	1,539,126	-	-
2018-2021	2,616,513	206,074	-	-
Total	<u>\$ 18,055,444</u>	<u>\$ 5,046,570</u>	<u>\$ 742,000</u>	<u>\$ 53,562</u>

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

B. Installment Purchase Contracts. The City has entered into installment purchase contracts with various agencies for the purchase of assorted assets. These obligations are considered a limited obligation of the City and are secured by the assets themselves.

	Interest Rates	Date Issued	Date Series Mature	Amount of Original Issue	Balance Outstanding at June 30, 2007
Trucks and cans	5.12%	12/9/1999	12/9/2009	\$ 359,230	\$ 58,763
Fire Trucks	3.06	11/29/2002	11/15/2012	1,546,308	850,469
Radio equipment	2.64	1/28/2003	1/17/2008	309,790	65,249
Trucks and carts	2.35	4/30/2004	4/30/2009	741,577	306,529
Total Installment Purchase Contracts					<u>\$ 1,281,010</u>

Annual maturities on all installment purchase contracts for the governmental activities, are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2008	\$ 393,978	\$ 35,177
2009	333,488	24,399
2010	166,964	15,694
2011	154,631	10,646
2012	154,630	5,915
2013	77,319	1,182
Total	<u>\$ 1,281,010</u>	<u>\$ 93,013</u>

C. General Obligations Bonds. The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities related to both general and proprietary activities. All general obligation bonds are backed by the full faith, credit and taxing power of the City. Principal and interest requirements are appropriated when due.

CITY OF ASHIEVILLE
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General obligation bonds outstanding at June 30, 2007 are as follows:

	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding at June 30, 2007
Government Activities:					
Street, sidewalk & storm drainage, Series 1993A	5.50-5.25%	7/1/1993	2/1/2013	\$ 1,300,000	\$ 520,000
Street, sidewalk & storm drainage, Series 1993B	5.00-5.25	7/1/1993	2/1/2013	500,000	215,000
General obligation refunding bonds, Series 1993C	4.00-4.80	7/1/1993	6/1/2008	10,305,000	760,000
General obligation refunding bonds, Series 1999	4.00-4.20	2/9/1999	6/1/2012	4,952,360	1,590,696
General obligation refunding bonds, Series 2000	4.75-5.00	12/1/2000	12/1/2020	1,970,000	1,370,000
Total government activities					<u>4,455,696</u>
Business-type Activities					
Water - 1995	5.40-6.40	6/1/1995	6/1/2011	3,000,000	1,200,000
Water - 1999	4.00-4.20	2/9/1999	6/1/2012	12,217,640	3,924,305
Total Business-type Activities					<u>5,124,305</u>
Total General Obligation Bonds					9,580,000
Premium on bonds					16,051
Total General Obligation Bonds and Premium on bonds					<u>\$ 9,596,051</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 1,471,101	\$ 203,908	\$ 1,373,899	\$ 219,470
2009	706,006	136,935	1,348,995	163,015
2010	626,593	106,594	1,403,407	107,554
2011	422,480	78,804	937,520	46,191
2012	269,516	59,145	60,484	2,540
2013-2017	590,000	159,675	-	-
2018-2021	370,000	34,750	-	-
Total	<u>\$ 4,455,696</u>	<u>\$ 779,811</u>	<u>\$ 5,124,305</u>	<u>\$ 538,770</u>

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

D. Revenue Bonds/Advance Refunding. The City has advance refunded \$42,960,000 in Water Revenue Bonds, Series 1996 and 2001 by placing the proceeds of new bonds (Series 2005) in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, neither the trust account assets nor the liabilities for the defeased bonds are included in the City's financial statements. In August 2006, a payment of \$30,801,533 effectively retired the Series 1996 debt. As of June 30, 2007, the outstanding balance of the defeased 2001 issue was \$11,535,000.

Annual debt service requirements to maturity for Series 2005 revenue bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 1,435,000	\$ 1,864,348	\$ 3,299,348
2009	1,480,000	1,815,488	3,295,488
2010	1,535,000	1,762,725	3,297,725
2011	1,580,000	1,708,212	3,288,212
2012	1,640,000	1,647,762	3,287,762
2013-2017	9,310,000	7,072,481	16,382,481
2018-2022	11,820,000	4,479,750	16,299,750
2023-2026	11,780,000	1,213,750	12,993,750
Total	<u>\$ 40,580,000</u>	<u>\$ 21,564,516</u>	<u>\$ 62,144,516</u>

E. State Water Bond Loan. In 1998, the City received a \$3,000,000 loan from the North Carolina Department of Environment, Health and Natural Resources for capital construction to the water system. The loan bears interest at 5.3 percent and is payable in equal annual amounts of \$150,000 over the next 20 years. The outstanding balance at June 30, 2007 was \$1,500,000.

F. Due to Other Governmental Units. The City also owes \$1,060,000 on outstanding "Section 108" loans.

G. Estimated Claims Incurred But Not Reported. The City is self-insured for workers compensation, fringe benefits and certain general liability and casualty risks. The City's Third Party Administrators have estimated the City's liability for claims incurred but not reported as of June 30, 2007. The current year estimate was within \$10,000 of the prior year estimate; therefore, the liability was not adjusted.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

H. Changes in Long Term Liabilities

	Beginning Balances	Additions	Retirements	Ending Balances	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 6,057,187	\$ -	\$ 1,601,491	\$ 4,455,696	\$ 1,471,101
Installment					
Financing Contracts	19,855,300	-	1,799,856	18,055,444	1,850,753
Purchase Contracts	2,061,196	-	780,184	1,281,010	393,978
Capital Leases	23,696	-	23,696	-	-
Due To Other					
Governments	1,230,000	-	170,000	1,060,000	175,000
Accrued Vacation Payable	3,603,037	2,138,366	2,164,999	3,576,404	2,508,890
Estimated Claims Incurred					
But Not Reported	2,961,696	8,209,427	8,209,427	2,961,696	612,886
Unfunded Pension					
Obligations	793,263	81,842	-	875,105	-
Total Governmental					
Activities	<u>\$ 36,585,375</u>	<u>\$10,429,635</u>	<u>\$ 14,749,653</u>	<u>\$ 32,265,355</u>	<u>\$ 7,012,608</u>

Accrued payable and unfunded pension obligations have typically been liquidated by the general fund. Payment to Metropolitan Sanitary District of \$33,226 has been included in debt principal payments.

	Beginning Balances	Additions	Retirements	Ending Balances	Due Within One Year
Business-Type Activities					
General Obligation Bonds	\$ 6,412,814	\$ -	\$ 1,288,509	\$ 5,124,305	\$ 1,373,899
Revenue Bonds	41,800,000	-	1,220,000	40,580,000	1,435,000
Installment Financing Contracts	1,320,000	-	578,000	742,000	613,000
State Water Bond Loan	1,650,000	-	150,000	1,500,000	150,000
Accrued Vacation Payable	421,196	324,166	204,139	541,223	541,223
Unamortized Bond Proceeds	1,666,739	-	88,759	1,577,980	-
Total Business-Type Activities	<u>\$ 53,270,749</u>	<u>\$ 324,166</u>	<u>\$ 3,529,407</u>	<u>\$ 50,065,508</u>	<u>\$ 4,113,122</u>

- I. DEBT MARGIN.** The City is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt the City may have outstanding to 8 percent of the appraised value of property subject to taxation. At June 30, 2007, such statutory limit for the City was \$782,581,680 providing a legal debt margin of \$770,135,787.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 – ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities at year-end consisted of the following:

	General Fund	Non-major Governmental Funds	Governmental Activities	Business-Type Activities
Due to vendors	\$ 758,888	\$ 294,012	\$ 1,052,900	\$ 1,174,967
Due to other Governments	2,982	-	2,982	2,656,780
Salaries and Benefits	2,047,591	19,809	2,067,400	303,580
Total	<u>\$ 2,809,461</u>	<u>\$ 313,821</u>	<u>\$ 3,123,282</u>	<u>\$ 4,135,327</u>

NOTE 8 – RISK MANAGEMENT

The City of Asheville, by nature of its various operations, is exposed to numerous risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions on behalf of employees, elected officials, public officials, and appointed members of boards and commissions; injuries to employees; and a variety of losses stemming from natural disasters and perils.

The City has determined that it is in its best interest to establish a self-insurance program for certain general liability and casualty risks, fringe benefits and its workers' compensation obligations. Revenues and expenses for this program are recorded in the Risk and Benefits Management Fund Division of the General Fund.

For all of its self-insured retention programs, the City retains the services of outside third party administrators for the professional management and adjustment of claims.

The City is further protected by the placement of a \$15,000,000 excess-only liability program across the liability lines under the contract. The City also insures its real and personal property holdings, including its dams, for a total of \$240,000,000 in assets. Coverages include sub-limits for flood and earthquake. Because the City is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the City is eligible to purchase flood insurance through the National Flood Insurance Plan (NFIP). However, due to its self-insurance coverage, the City chooses not to participate in the NFIP at this time.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

The City of Asheville is also self-insured as provided under North Carolina General Statutes for Workers Compensation and Employer Liability. The City retains out-of-pocket losses for \$350,000 on specific claims and an aggregate loss fund of \$3,600,000 over a three-year period.

The City carries a \$3,000,000 specific and aggregate excess over these deductibles, with the aggregate excess attachment at 75 percent of the aggregate loss fund, over a three-year period.

The employee medical benefits program is funded through the City of Asheville Employee Health and Benefits Trust. The Trust is funded by both employee and employer contributions. Fringe benefits paid through this trust include group health, dental and some life insurance. The group health plan operates with a specific stop loss of \$95,000 and an aggregate stop loss of 125 percent of the estimated loss fund.

Settlement of claims in all classes of liability except the City's group health program has not exceeded the City's limits of retention in any of the past twelve years. The group health program, on an annual basis, has up to six cases that exceed specific stop loss and therefore recovers excess losses an average of ten times per year over the past ten years. Recoveries under stop loss coverage are regularly forwarded to the Health Benefits Trust Account. The City of Asheville has never exceeded an aggregate stop loss attachment for its group medical program for any year.

The following is a summary of changes in claims liability at June 30:

	<u>2007</u>	<u>2006</u>
Beginning Balance	\$ 2,961,696	\$ 2,139,090
Plus incurred claims		
& changes in estimates	8,209,427	6,296,785
Less claim payments	<u>(8,209,427)</u>	<u>(5,474,179)</u>
Ending balance	<u>\$ 2,961,696</u>	<u>\$ 2,961,696</u>

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has commercial property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 9- PENSIONS PLAN OBLIGATIONS

Employee Retirement Systems

A. North Carolina Local Governmental Employees' Retirement System.

Plan Description. The City of Asheville and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City and the ABC Board are required to contribute at an actuarially determined rate. For the City, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80 percent and 4.78 percent, respectively, of annual covered payroll.

For the ABC Board, the current rate for employees not engaged in law enforcement and for law enforcement is 4.92 percent and 4.78 percent, respectively, of annual covered payroll.

The contribution requirements of members and of the City of Asheville and the ABC Board are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were \$1,917,757, \$1,780,170 and \$1,694,191 respectively.

The ABC Board's contributions to LGERS for the years ended June 30, 2007, 2006, and 2005 were \$89,203, \$93,099 and \$95,081, respectively. The contributions made by the City and the ABC Board equaled the required contributions for each year.

In order to meet its statutory obligations for a death benefit under NCLGERS, the City of Asheville opts to provide a death benefit through a group term life insurance program, which is provided on a non-contributory basis to all members of the retirement system after 30 days of employment. The benefit pays the designated beneficiary an amount equal to one time the annual salary based on rate of pay at the time of death. The plan also provides an accidental death and dismemberment feature of two time's annual salary in the event of death by a covered member.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

B. Law Enforcement Officers Special Separation Allowance

1. Description

The City and the ABC Board administer a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Separate Financial Statements are not issued for the Plan.

All full-time law enforcement officers of the City and the ABC Board are covered by the Separation Allowance. At December 31, 2006, the Separation Allowance's membership consisted of:

	<u>City</u>	<u>ABC Board</u>
Retirees receiving benefits	16	-
Active plan members	<u>184</u>	<u>2</u>
Total	<u>200</u>	<u>2</u>

2. Summary of Significant Accounting Policies

Basis of Accounting. The City and the ABC Board have chosen to fund the Separation Allowance on a pay as you go basis. For the City, pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. The financial statements of the ABC Board are prepared using the accrual basis of accounting. Benefits are recognized as expenses when due and payable in accordance with the terms of the plan. Administrative expenses are recognized when incurred.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

3. Contributions

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The City and ABC Board's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

no contributions made by employees of the City or the ABC Board. The ABC Board is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to pay benefits and administration costs on a pay-as-you-go basis. For the current year the ABC Board was not required to pay any benefits. The ABC Board has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

The annual required contribution for the current year was determined as part of the December 31, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25 percent investment rate of return (net of administrative expenses); (b) projected salary increases of 4.5 to 12.3 percent per year and (c) level dollar closed amortization period with 24 years remaining. Both (a) and (b) included an inflation component of 3.75 percent. The assumptions did not include post-retirement benefit increases.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 324,789
Interest on net pension obligation	57,512
Adjustment to annual required contribution	(46,712)
Annual pension cost	<u>335,589</u>
Contributions made	253,747
Increase in net pension obligation	<u>81,842</u>
Net pension obligation beginning of year	<u>793,263</u>
Net pension obligation end of year	<u><u>\$ 875,105</u></u>

Three-Year Trend Information:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2005	\$ 301,119	67.26%	\$ 701,302
6/30/2006	341,109	73.04	793,263
6/30/2007	335,589	75.61	875,105

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

C. Law Enforcement Officers Supplemental Retirement Income Plan and Special Separation Allowance

401(k) Retirement Plan

The City and the ABC Board contribute to the Supplemental Retirement Income Plan (Plan), a section 401(k) defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City and the ABC Board. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefits provisions to the North Carolina Assembly.

Funding Policy: Article 12E of G.S. Chapter 143 requires the City and the ABC Board to contribute each month an amount equal to five percent of each officer's salary and all amounts collected are vested immediately. In addition to the required contribution for law enforcement officers, the City makes a monthly contribution equal to four percent of non-police employees' salary. Also, law enforcement officers and non-police employees of the City may make voluntary contributions to the Plan.

The City contribution for law enforcement officers for the year ended June 30, 2007 was \$405,936 and the officers' voluntary contributions were approximately \$144,660. The City's contribution for non-police personnel was \$1,593,479 with the voluntary contributions of approximately \$896,058. The ABC Board's required contribution was \$3,143.

D. Other Post-employment Benefits

The City's retirees can continue their health insurance coverage at the City's group rates until age 65. The City does not contribute to retirees' coverage.

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES

A. Grant Revenues - The City receives amounts from federal, state, and local government agencies in the form of grants. The disbursement of funds under these programs is subject to audit in accordance with the Office of Management and Budget Circular A-133 *Audit of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act*. The City expects the amount, if any, of expenditures that may be disallowed by the granting agencies as a result of these audits to be immaterial.

B. Claims and Litigation - The City is a defendant in other various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's attorney and management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

C. Limited Obligation Agreements – On June 1, 1991, the City entered into an installment purchase contract with Asheville-Buncombe Development Corporation (ABDC) for the purpose of financing municipal facilities construction projects. As of January 1, 1992, all ABDC rights and obligations under that contract were assigned to Asheville Public Financing Corporation (APFC). Effective November 1, 1997, the City executed Amendment Number One to the Installment Purchase Contract, with APFC, to provide conduit funding of the construction of a high tech flex building by Biltmore Farms and the renovation of the Grove Arcade as a public market place by the Grove Arcade Public Market Foundation. The contract was funded by the execution and delivery of \$5,515,000 of Taxable Certificates of Participation, Series 1997C. The Certificates bear interest at variable rates as determined monthly (monthly interest rate is equal to the one-month LIBOR published in the Wall Street Journal the first business day of each month, rounded up to the nearest 1/16th plus 59 basis points) with various maturity dates through the fiscal year ended June 30, 2018. The average interest rate from the date of initial execution and delivery through June 30, 2007 was 5.80 percent. The total amount of the certificates will be reimbursed to the City by the above organizations. The total amount of the certificates outstanding and amount owed the City at June 30, 2007 was \$1,960,000 and \$286,826, respectively.

The Contract does not directly or indirectly or contingently obligate the City to make any payments beyond those appropriated in the year in which this contract is in effect.

D. Water Agreement – In late June 2005, the North Carolina General Assembly enacted two local acts that had a direct impact on the City's operation of the Water System (NC Session Laws 2005-139 and 140; also known as Sullivan Acts 2 and 3). The provisions thereof require that: (a) the City provide water to users in the County, (b) rates for water customers in the County not exceed the rates for comparable customers in the City, (c) revenues of the Water System available after payment of expenses not be transferred for any City purpose not related to the Water System and (d) water line extensions are required if capacity exists. In August 2005, The City filed suit against the State alleging that the 2005 local acts along with the original 1933 Sullivan Act are unconstitutional as local acts (1) regulating trade, (2) relating to health and sanitation and (3) because they treat the City of Asheville unfairly with respect to how it can operate the water system. The County intervened in the suit and in January, 2007, the Wake County Superior Court heard arguments and found for the State and the County. The City has an appeal pending in the North Carolina Court of Appeals.

E. Lease Management – In 2007, the City entered into a lease with the Trust for Public Land (the Trust) for use of park facilities. The agreement calls for the City to annually appropriate \$1,360,877, \$899,666 and \$339,457 during fiscal years ending 2008, 2009 and 2010, respectively. The Trust is committed to use "reasonable effort" to raise funds to meet the City's obligation so that the City will only be required to pay the difference between the base rent and the actual amount raised by the Trust.

CITY OF ASHEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 11- DEFICIT FUND BALANCES/NET ASSETS

Liabilities exceeded assets, which created negative fund balances/net assets at year-end in the following funds:

Governmental Funds:

Affordable Home Ownership \$ (37,841)

Proprietary Funds:

Festivals \$ (1,392,958)

The deficit in the Affordable Home Ownership fund is caused by timing differences and is expected to be reduced by receipt and recording of grant and loan funds.

The deficit in the Festivals fund is expected to be reduced by more in depth management review and additional controls implemented over spending.

NOTE 12- SPECIAL ITEM

In 1994 the Asheville Claims Corporation issued \$10 million in certificates of participation to help fund the City's self-insurance program for workers' compensation claims. All rights, title and interest were assigned to a bank trustee. All the certificates have matured and the City elected to transfer the residual funds in the amount of \$5,044,004 from the bank trustee back to the City's newly created internal service fund which is discussed in Note 1 E. The transaction is accounted for as a special item because the nature of the transaction is non-routine and non-recurring but, it is within the City's control.

Required Supplementary Information

This section consists of the following additional information required by Accounting Principles Generally Accepted in the United States of America:

- Analysis of Funding Progress for Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Required Contributions for Law Enforcement Officers' Special Separation Allowance

CITY OF ASHEVILLE
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2007

<u>Calendar Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit</u>	<u>Percentage Funded</u>	<u>Unfunded AAL (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1997	-	\$ 1,101,752	-	\$ 1,101,752	\$ 5,142,723	21.42 %
1998	-	1,222,712	-	1,222,712	5,587,191	21.88
1999	-	1,340,442	-	1,340,442	5,769,142	23.23
2000	-	2,116,076	-	2,116,076	5,832,782	36.28
2001	-	2,240,213	-	2,240,213	6,009,758	37.28
2002	-	2,475,940	-	2,475,940	6,014,682	41.16
2003	-	2,739,109	-	3,150,445	6,482,367	42.25
2004	-	3,150,445	-	3,150,445	6,977,643	45.15
2005	-	3,213,921	-	3,213,921	7,097,123	45.28
2006	-	3,500,082	-	3,500,082	8,097,773	43.22

CITY OF ASHEVILLE
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER REQUIRED CONTRIBUTIONS
June 30, 2007

<u>FISCAL YEAR ENDED</u> <u>JUNE 30</u>	<u>ANNUAL</u> <u>REQUIRED</u> <u>CONTRIBUTION</u>	<u>ACTUAL</u> <u>AMOUNT</u> <u>CONTRIBUTED</u>	<u>PERCENTAGE</u> <u>CONTRIBUTED</u>
1999	\$ 157,698	\$ 59,371	37.65 %
2000	178,158	48,299	27.11
2001	193,365	65,706	33.98
2002	228,773	104,530	45.69
2003	243,061	136,589	56.20
2004	259,805	155,762	59.95
2005	291,233	202,534	69.54
2006	330,544	249,148	75.38
2007	324,789	253,747	78.13
Estimated 2008	351,948		

Notes to the above schedule:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the dates actuarial valuation follows.

Valuation Date	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	24 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5% to 12.3%
Includes inflation at	3.75%
Cost of living adjustments	None

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Non-major Governmental Funds Combining Statements and Schedules

Non-major governmental funds are combined and presented in the aggregate as "non-major governmental funds" in the basic financial statements. The city's non-major governmental funds are as follows:

Special Revenue Funds:

- **Grant Programs** – This fund is used to account for grant revenues and related expenditures of various federal, state and local grants.
- **Community Development** – This fund is used to account for Community Development Block Grant (CDBG) expenditures and the related revenue received from the U.S. Department of Housing and Urban Development.
- **Section 108 Rehabilitation** – This fund is used to account for revenues, expenditures and revolving loans by grants from the U. S. Department of Housing and Urban Development.
- **Affordable Home Ownership** – This fund is used to account for HOME grant expenditures and the related revenue received from the U.S. Department of Housing and Urban Development.
- **Housing Partnership** – This fund is used to account for the expenditures and related revenue designated by City Council for affordable housing.

Capital Projects Funds:

- **Federal Capital Projects** – This fund is used to account for the acquisition or construction of City assets under various federal grants.
- **General Capital Projects** – This fund is used to account for the acquisition or construction of City assets that are financed with local funds.
- **Street/Sidewalk Storm Drainage Improvements** – This fund is used to account for the construction of City infrastructure assets that are financed with local funds.
- **Sewer Capital Projects** – This fund is used to account for the construction and maintenance of sewer lines in the Metropolitan Sewerage District (MSD)

Permanent Fund:

- **Permanent Fund** – This fund is used to account for funds received for the perpetual care of the City's cemetery.

CITY OF ASHEVILLE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue					Total
	Grant Programs	Community Development	Section 108 Rehabilitation	Affordable Home Ownership	Housing Partnership	
ASSETS						
Cash and investments	\$ 55,502	\$ -	\$ -	\$ -	\$ 1,463,503	\$ 1,519,005
Receivables	13,676	2,492,967	1,154,173	288,650	2,227,490	6,176,956
Cash-restricted	-	-	871,534	-	-	871,534
Total assets	<u>\$ 69,178</u>	<u>\$ 2,492,967</u>	<u>\$ 2,025,707</u>	<u>\$ 288,650</u>	<u>\$ 3,690,993</u>	<u>\$ 8,567,495</u>
LIABILITIES						
Accounts payable & other accr. liab.	\$ 65,808	\$ 7,501	\$ -	\$ 10,010	\$ 883	\$ 84,202
Retainage payable	-	-	-	-	-	-
Due to other funds	-	20,909	-	50,424	-	71,333
Deferred revenue	-	2,464,557	1,154,173	266,057	-	3,884,787
Total liabilities	<u>65,808</u>	<u>2,492,967</u>	<u>1,154,173</u>	<u>326,491</u>	<u>883</u>	<u>4,040,322</u>
FUND BALANCES						
Reserved for encumbrances	-	-	-	-	-	-
Reserved for housing partnership	-	-	-	-	1,462,620	1,462,620
Reserved by state statute	3,370	-	-	-	2,227,490	2,230,860
Reserved for perpetual care	-	-	-	-	-	-
Unreserved, undesignated	-	-	871,534	(37,841)	-	833,693
Total fund balances	<u>3,370</u>	<u>-</u>	<u>871,534</u>	<u>(37,841)</u>	<u>3,690,110</u>	<u>4,527,173</u>
Total liabilities and fund balances	<u>\$ 69,178</u>	<u>\$ 2,492,967</u>	<u>\$ 2,025,707</u>	<u>\$ 288,650</u>	<u>\$ 3,690,993</u>	<u>\$ 8,567,495</u>

Federal Capital Projects	General Capital Projects	Capital Projects		Total	Permanent Fund	Total Non-major Governmental Funds
		Street/Sidewalk Capital Improvements	Sewer Capital Projects		Perpetual Care	
\$ -	\$ 2,741,791	\$ 1,375,200	\$ 646,567	\$ 4,763,558	\$ 5,000	\$ 6,287,563
-	286,826	-	-	286,826	-	6,463,782
-	-	-	-	-	287,830	- 1,159,364
<u>\$ -</u>	<u>\$ 3,028,617</u>	<u>\$ 1,375,200</u>	<u>\$ 646,567</u>	<u>\$ 5,050,384</u>	<u>\$ 292,830</u>	<u>\$ 13,910,709</u>
\$ -	\$ 593	\$ -	\$ -	\$ 593	\$ -	\$ 84,795
-	229,026	-	-	229,026	-	229,026
-	-	-	-	-	-	71,333
-	-	2,000	-	2,000	-	3,886,787
-	229,619	2,000	-	231,619	-	4,271,941
-	933,119	254,361	956	1,188,436	-	1,188,436
-	-	-	-	-	-	1,462,620
-	286,826	-	-	286,826	-	2,517,686
-	-	-	-	-	292,830	292,830
-	1,579,053	1,118,839	645,611	3,343,503	-	4,177,196
-	2,798,998	1,373,200	646,567	4,818,765	292,830	9,638,768
<u>\$ -</u>	<u>\$ 3,028,617</u>	<u>\$ 1,375,200</u>	<u>\$ 646,567</u>	<u>\$ 5,050,384</u>	<u>\$ 292,830</u>	<u>\$ 13,910,709</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue					Total
	Grant Programs	Community Development	Section 108 Rehabilitation	Affordable Home Ownership	Housing Partnership	
REVENUES						
Restricted intergovernmental	\$ 1,318,163	\$ 1,605,807	\$ -	\$ 1,590,419	\$ -	\$ 4,514,391
Private donations	7,730	-	-	-	-	7,730
Investment earnings	26,425	-	-	-	24,249	50,674
Miscellaneous	-	333,485	122,978	43,673	-	500,136
Total revenues	<u>1,352,320</u>	<u>1,939,292</u>	<u>122,978</u>	<u>1,634,092</u>	<u>24,249</u>	<u>5,072,931</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Public safety	883,156	-	-	-	-	883,156
Public works	3,815	-	-	-	-	3,815
Human services	-	1,824,934	50,769	1,671,933	25,424	3,573,060
Planning	686,840	-	-	-	-	686,840
Engineering	746,216	-	-	-	-	746,216
Culture and recreation	86,431	-	-	-	-	86,431
Debt Service:						
Principal	-	-	170,000	-	-	170,000
Total expenditures	<u>2,406,458</u>	<u>1,824,934</u>	<u>220,769</u>	<u>1,671,933</u>	<u>25,424</u>	<u>6,149,518</u>
Revenues under expenditures before other financing sources (uses)	<u>(1,054,138)</u>	<u>114,358</u>	<u>(97,791)</u>	<u>(37,841)</u>	<u>(1,175)</u>	<u>(1,076,587)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in:						
From General Fund	107,750	-	-	-	600,000	707,750
From Stormwater Fund	88,000	-	-	-	-	88,000
From Community Development	-	-	114,358	-	-	114,358
Transfers out:						
To Section 108 rehabilitation	-	(114,358)	-	-	-	(114,358)
Total other financing sources (uses)	<u>195,750</u>	<u>(114,358)</u>	<u>114,358</u>	<u>-</u>	<u>600,000</u>	<u>795,750</u>
Net change in fund balances	<u>(858,388)</u>	<u>-</u>	<u>16,567</u>	<u>(37,841)</u>	<u>598,825</u>	<u>(280,837)</u>
Fund balances - beginning	<u>861,758</u>	<u>-</u>	<u>854,967</u>	<u>-</u>	<u>3,091,285</u>	<u>4,808,010</u>
Fund balances (deficit) - ending	<u>\$ 3,370</u>	<u>\$ -</u>	<u>\$ 871,534</u>	<u>\$ (37,841)</u>	<u>\$ 3,690,110</u>	<u>\$ 4,527,173</u>

Federal Capital Projects	General Capital Projects	Capital Projects		Total	Permanent Fund	Total Non-major Governmental Funds
		Street/Sidewalk Capital Improvements	Sewer Capital Projects		Perpetual Care	
\$ 96,640	\$ 1,055,867	\$ -	\$ -	\$ 1,152,507	\$ -	\$ 5,666,898
-	1,342,437	-	-	1,342,437	-	1,350,167
-	167,460	-	-	167,460	-	218,134
-	-	45,284	-	45,284	-	545,420
96,640	2,565,764	45,284	-	2,707,688	-	7,780,619
-	116,625	-	-	116,625	-	116,625
-	3,817,860	-	-	3,817,860	-	4,701,016
-	-	1,358,402	4,080	1,362,482	-	1,366,297
96,640	-	-	-	96,640	-	3,669,700
-	2,664	-	-	2,664	-	689,504
-	24,555	-	-	24,555	-	770,771
-	1,368,494	-	-	1,368,494	-	1,454,925
-	-	-	-	-	-	170,000
96,640	5,330,198	1,358,402	4,080	6,789,320	-	12,938,838
-	(2,764,434)	(1,313,118)	(4,080)	(4,081,632)	-	(5,158,219)
-	1,394,246	1,822,300	86,500	3,303,046	-	4,010,796
-	-	-	-	-	-	88,000
-	-	-	-	-	-	114,358
-	-	-	-	-	-	-
-	-	-	-	-	-	(114,358)
-	1,394,246	1,822,300	86,500	3,303,046	-	4,098,796
-	(1,370,188)	509,182	82,420	(778,586)	-	(1,059,423)
-	4,169,186	864,018	564,147	5,597,351	292,830	10,698,191
\$ -	\$ 2,798,998	\$ 1,373,200	\$ 646,567	\$ 4,818,765	\$ 292,830	\$ 9,638,768

CITY OF ASHEVILLE
GRANT PROGRAMS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
REVENUES				
Restricted intergovernmental	\$ 15,043,440	\$ 3,112,623	\$ 1,318,165	\$ 4,430,788
Private donations	227,106	236,373	7,730	244,103
Investment earnings	-	32,076	26,425	58,501
Total revenues	<u>15,270,546</u>	<u>3,381,072</u>	<u>1,352,320</u>	<u>4,733,392</u>
EXPENDITURES				
Public Works:				
CNG Station/vehicles	455,000	449,568	3,815	453,383
Engineering				
GPTE MPO Grant	200,000	-	-	-
MPO Grant	400,000	21,297	128,788	150,085
Pack Square Ped improvement	140,000	-	107,390	107,390
NCDENR flood damage	4,575,000	-	320,333	320,333
Enhancement grant Pack Square	3,899,860	-	-	-
W End Clingman Ped improvement	172,131	15,592	26,525	42,117
W End Clingman Ped improvement 2	235,120	-	-	-
Dingle Creek Watershed	321,000	-	91,739	91,739
National Weather Service	103,955	-	71,441	71,441
Total Engineering	<u>10,047,066</u>	<u>36,889</u>	<u>746,216</u>	<u>783,105</u>
Planning:				
City Hall bell	26,400	15,149	650	15,799
Architectural study	36,900	26,783	-	26,783
Pack Place	40,000	35,000	-	35,000
Fire bell	16,820	16,680	-	16,680
Rural Development	820,000	6,500	686,190	692,690
Total Planning	<u>940,120</u>	<u>100,112</u>	<u>686,840</u>	<u>786,952</u>
Public safety:				
Police:				
Governor's highway safety program	289,860	24,368	779	25,147
Kid Care	7,200	6,898	-	6,898
GHSP Traffic grant	175,000	-	32,770	32,770
Target grant	1,000	-	-	-
Weed and Seed grant	58,825	-	28,346	28,346
GHSP grant 06/07	10,000	-	333	333
LLEBG 2003	79,112	62,304	7,800	70,104
JAG grants	99,967	-	39,987	39,987
Electric Vehicles	746	680	-	680
Gov. Crime Commission	37,943	36,204	289	36,493
Meth grant	172,765	-	-	-
State Forfeitures	66,290	1,097	60,515	61,612
Federal Forfeitures	163,491	28,129	104,752	132,881
Total Police	<u>1,162,199</u>	<u>159,680</u>	<u>275,571</u>	<u>435,251</u>

(continued)

CITY OF ASHEVILLE
GRANT PROGRAMS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total To Date
Fire:				
Governor's highway safety program	4,000	3,851	-	3,851
Fire and safety life	5,406	-	-	-
State hazmat grant	192,858	-	64,078	64,078
State radio grant	29,607	-	-	-
Fire/safety education	69,777	66,353	-	66,353
Haz mat grant	53,400	53,291	-	53,291
Fire mobile radios	120,000	-	119,652	119,652
Homeland security	174,578	173,036	-	173,036
Governor's crime commission	180,000	121,553	51,750	173,303
FEMA Electronics	123,794	123,129	-	123,129
Radio Infrastructure	2,514,745	2,123,556	372,105	2,495,661
Total Fire	3,468,165	2,664,769	607,585	3,272,354
 Total Public Safety	 4,630,364	 2,824,449	 883,156	 3,707,605
 Culture and Recreation:				
Weed and Seed Grant	116,175	-	31,102	31,102
Public Art Master plan	16,000	11,860	2,925	14,785
Cultural Ren Art program	62,500	62,588	(5,295)	57,293
Nature Center	28,220	-	-	-
Dog park	20,000	13,124	5,836	18,960
Public Art Rest/conserv	13,650	8,575	4,739	13,314
VS ballfield	33,420	32,811	-	32,811
Sr Opportunity Ctr	26,629	8,766	15,568	24,334
Harvest House	31,730	1,850	29,050	30,900
Pub Art special project	49,350	45,300	2,506	47,806
Total Culture and Recreation	397,674	184,874	86,431	271,305
 Total expenditures	 16,470,224	 3,595,892	 2,406,458	 6,002,350
 Revenues over (under) expenditures before other financing sources	 (1,199,678)	 (214,820)	 (1,054,138)	 (1,268,958)
 OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	450,598	415,498	107,750	523,248
From Stormwater Fund	234,335	146,335	88,000	234,335
Long term debt issued	514,745	514,745	-	514,745
Net change in fund balance	\$ -	\$ 861,758	(858,388)	\$ 3,370
 Fund balance - beginning			861,758	
Fund balance - ending			\$ 3,370	

(concluded)

CITY OF ASHEVILLE
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Restricted intergovernmental	\$ 2,349,114	\$ 1,605,807	\$ (743,307)
Miscellaneous	548,342	333,485	(214,857)
Total revenues	<u>2,897,456</u>	<u>1,939,292</u>	<u>(958,164)</u>
EXPENDITURES			
ABCRC - FH & EO	20,000	15,000	5,000
AHC Crisis Counseling	40,000	40,000	-
AHC Homeowner Education	50,000	50,000	-
Consumer Credit Counseling	17,000	17,000	-
CD Admin	227,617	219,956	7,661
Grove Arcade	(9,604)	-	(9,604)
Habitat for Humanity	75,000	75,000	-
Hardship Relocation AHC	2,000	1,173	827
Hillcrest Enrichment Prog	28,000	28,000	-
Hospitality House	90,000	90,000	-
Housing Rehab	31,315	31,629	(314)
Maximum Outreach	138,028	138,028	-
MHO Emergency Repairs	162,221	96,783	65,438
MHO Housing Services	100,000	100,000	-
MHO Clingman Ave Infrastructure	-	16,551	(16,551)
Pisgah Legal Services	40,000	38,869	1,131
MHO-WECAN	(2,759)	-	(2,759)
Property Management	(444)	-	(444)
SPS Redevelop	50,000	-	50,000
Unallocated Contingency	294,399	-	294,399
MMLF Sm. Business Loan	168,594	12,324	156,270
NHS Program Admin	70,611	66,285	4,326
MHO S/F New Construction	100,000	100,000	-
NHS Bradley St Construction	244,988	185,000	59,988
CFBC Emma Family Outreach	10,000	10,000	-
Transit Infrastructure Imp	54,148	20,121	34,027
Helpmate shelter	120,000	120,000	-
Pisgah View security system	100,000	45,354	54,646
MHO Tier II home repair	144,000	71,032	72,968
PLS homeless prevention	18,000	18,000	-
Pisgah View community service	160,000	100,000	60,000
McCormick Heights relocation	120,000	24,497	95,503
Buncombe County Staliz Center	86,000	62,065	23,935
10-yr Plan Implementation	33,984	32,267	1,717
Total expenditures	<u>2,783,098</u>	<u>1,824,934</u>	<u>958,164</u>
Revenues over expenditures before other financing uses	114,358	114,358	-
OTHER FINANCING USE			
Transfer out: Section 108 rehabilitation	<u>(114,358)</u>	<u>(114,358)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - beginning		<u>-</u>	
Fund balance - ending		<u>\$ -</u>	

CITY OF ASHEVILLE
SECTION 108 REHABILITATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
REVENUES				
Miscellaneous	\$ 500,423	\$ 538,386	\$ 122,978	\$ 661,364
Total revenues	<u>500,423</u>	<u>538,386</u>	<u>122,978</u>	<u>661,364</u>
EXPENDITURES				
Human services	2,481,379	1,655,121	50,769	1,705,890
Debt service principal	<u>790,908</u>	<u>620,907</u>	<u>170,000</u>	<u>790,907</u>
Total expenditures	<u>3,272,287</u>	<u>2,276,028</u>	<u>220,769</u>	<u>2,496,797</u>
Revenues under expenditures before other financing sources	<u>(2,771,864)</u>	<u>(1,737,642)</u>	<u>(97,791)</u>	<u>(1,835,433)</u>
OTHER FINANCING SOURCES				
Long term debt issued	2,300,000	2,300,000	-	2,300,000
Transfers in:				
From Community Development	<u>471,864</u>	<u>292,609</u>	<u>114,358</u>	<u>406,967</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 854,967</u>	<u>16,567</u>	<u>\$ 871,534</u>
Fund balance - beginning			<u>854,967</u>	
Fund balance - ending			<u>\$ 871,534</u>	

CITY OF ASHEVILLE
AFFORDABLE HOME OWNERSHIP SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total To Date
REVENUES				
Restricted intergovernmental	\$ 7,768,474	\$ 5,121,834	\$ 1,590,419	\$ 6,712,253
Miscellaneous	254,615	348,893	43,673	392,566
Total revenues	<u>8,023,089</u>	<u>5,470,727</u>	<u>1,634,092</u>	<u>7,104,819</u>
EXPENDITURES				
General operations	564,932	428,522	133,936	562,458
NHS single-family	722,062	464,592	-	464,592
Buncombe County-SCA site rehab.	206,800	80,245	36,472	116,717
Madison County rehab.	324,888	181,196	143,365	324,561
West End/Clingman	75,000	75,000	-	75,000
HAC Transitional housing	50,106	50,106	-	50,106
CHDO capacity building	352,660	258,757	92,679	351,436
Member administration	151,767	97,746	7,950	105,696
HAC HOWSER single family	60,000	-	-	-
Thoms Life housing apartments	23,779	23,779	-	23,779
AHC tenant rent assistance	150,000	79,322	34,476	113,798
Sugar Hill Apartments	400,000	-	388,548	388,548
HOME Predevelopment loans	50,000	-	50,000	50,000
Crowell Park - MHO	395,700	-	285,768	285,768
Home Admin/English Hills/Brevard	425,000	424,000	1,000	425,000
Home Admin/N. Pt. Commons	575,000	575,000	-	575,000
Home Admin/Henderson Co. Hab.	182,000	182,000	-	182,000
Home Admin/HAC Village of King Crk.	214,685	214,685	-	214,685
Home Admin/Henderson Co. Hab. KC	50,000	50,000	-	50,000
Home Admin/Battery Park Apt.	225,000	225,000	-	225,000
Home Admin/First Step	120,000	120,000	-	120,000
Home Admin/WNCH Indep. Cottages	69,785	69,785	-	69,785
Home Admin/HIC Homeownership Assistance	97,942	92,542	5,400	97,942
Home Admin/Habitat - Enka	393,392	392,392	-	392,392
Home Admin/Woodfin Apts	200,000	200,000	-	200,000
Home Admin/Our Next Gen SFNC	92,000	68,600	22,400	91,000
Home Admin/Highland View Apt	365,339	363,513	1,826	365,339
Home Admin/Griffin Apts	236,000	235,000	1,000	236,000
Home Admin/Depot St-Predev	25,000	25,000	-	25,000
MHO/Glen Rock Apts	150,000	-	85,232	85,232
MHO/Clingman Ave townhouse	117,529	-	83,534	83,534
NCR Vanderbilt Apts.	250,000	250,000	-	250,000
MHO/S/F New Construction Buncombe	80,000	79,000	-	79,000
MHO/Self help home ownership	80,000	-	79,000	79,000
HCHH Shuc Knolls Dev.	220,000	102,657	99,212	201,869
HAC Mainstat Manor Hendersonville	90,000	22,865	67,135	90,000
Home Admin/ADDI	236,723	173,700	53,000	226,700
Total expenditures	<u>8,023,089</u>	<u>5,605,004</u>	<u>1,671,933</u>	<u>7,276,937</u>
Revenues under expenditures before other financing sources	<u>-</u>	<u>(134,277)</u>	<u>(37,841)</u>	<u>(172,118)</u>

(continued)

CITY OF ASHEVILLE
 AFFORDABLE HOME OWNERSHIP SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	-	134,277	-	134,277
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(37,841)	<u>\$ (37,841)</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ (37,841)</u>	
				(concluded)

**CITY OF ASHEVILLE
HOUSING PARTNERSHIP SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Investment earnings	\$ -	\$ 24,249	\$ 24,249
Total revenues	<u>-</u>	<u>24,249</u>	<u>24,249</u>
EXPENDITURES			
Human services	600,000	25,424	574,576
Total expenditures	<u>600,000</u>	<u>25,424</u>	<u>574,576</u>
Revenues over (under) expenditures before other financing sources	<u>(600,000)</u>	<u>(1,175)</u>	<u>598,825</u>
OTHER FINANCING SOURCES			
Transfers in:			
From General Fund	600,000	600,000	-
Net change in fund balance	<u>\$ -</u>	<u>598,825</u>	<u>\$ 598,825</u>
Fund balance - beginning		3,091,285	
Fund balance - ending		<u>\$ 3,690,110</u>	

**CITY OF ASHEVILLE
FEDERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
REVENUES				
Restricted intergovernmental	<u>\$ 500,060</u>	<u>\$ 221,441</u>	<u>\$ 96,640</u>	<u>\$ 318,081</u>
Total revenues	<u>500,060</u>	<u>221,441</u>	<u>96,640</u>	<u>318,081</u>
EXPENDITURES				
Fair housing assistance	<u>500,060</u>	<u>221,441</u>	<u>96,640</u>	<u>318,081</u>
Total expenditures	<u>500,060</u>	<u>221,441</u>	<u>96,640</u>	<u>318,081</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ -</u>	

**CITY OF ASHEVILLE
GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
REVENUES				
Restricted intergovernmental	\$ 4,403,108	\$ 1,012,070	\$ 1,055,867	\$ 2,067,937
Private donations	2,336,529	883,907	1,342,437	2,226,344
Investment earnings	136,513	43,218	167,460	210,678
Sale of material and service	28,300	28,300	-	28,300
Miscellaneous	139,593	139,593	-	139,593
Total revenues	<u>7,044,043</u>	<u>2,107,088</u>	<u>2,565,764</u>	<u>4,672,852</u>
EXPENDITURES				
General Government:				
URTV Equipment	13,307	1,395	9,694	11,089
VOIP Telephone	225,387	-	106,931	106,931
Rail Station	2,000	-	-	-
Total General Government	<u>240,694</u>	<u>1,395</u>	<u>116,625</u>	<u>118,020</u>
Public Safety:				
Fire Station #12	250,000	-	6,902	6,902
Fire Station #6	2,950,300	526,538	2,217,916	2,744,454
Fire Station #11	2,819,771	670,822	1,593,042	2,263,864
Total Public Safety	<u>6,020,071</u>	<u>1,197,360</u>	<u>3,817,860</u>	<u>5,015,220</u>
Planning				
Urban Trail #1 Walk Into History	35,610	18,349	2,664	21,013
Housing Infrastructure	85,000	-	-	-
Total Planning	<u>120,610</u>	<u>18,349</u>	<u>2,664</u>	<u>21,013</u>
Engineering				
E. Oakview Bridge	1,263,000	73,523	24,555	98,078
Total Engineering	<u>1,263,000</u>	<u>73,523</u>	<u>24,555</u>	<u>98,078</u>

(continued)

CITY OF ASHEVILLE
GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
Culture and Recreation:				
W. Asheville playground	46,423	44,904	9,987	54,891
Reed Creek Greenway	396,676	202,815	188,428	391,243
Azalea Park	4,057,299	3,498,172	568,759	4,066,931
Memorial Stadium	776,632	556,251	5,197	561,448
Carrier Park	715,541	705,714	3,430	709,144
French Broad corridor	253,800	10	-	10
Skateboard Park	608,275	608,998	-	608,998
Tennis court resurface	35,000	28,874	-	28,874
Weaver greenway	301,008	219,511	943	220,454
Hominy Creek greenway	300,000	-	57	57
Hall Fletcher playground	1,735	-	-	-
Harvest House remodeling	-	-	2,809	2,809
Glenn's Creek Greenway	50,000	-	50,000	50,000
Reid Center Renovation	600,000	-	116,483	116,483
Aston Park	611,576	396,972	70,408	467,380
Richmond Hill Park	354,800	46,064	222,155	268,219
Greenway easement Acquisition	45,414	26,669	16,709	43,378
Rec Center projects	59,071	40,130	13,129	53,259
Montford complex	100,000	-	100,000	100,000
COPS cost of issue	136,513	-	-	-
Total Culture and Recreation	<u>9,449,763</u>	<u>6,375,084</u>	<u>1,368,494</u>	<u>7,743,578</u>
Total expenditures	<u>17,094,138</u>	<u>7,665,711</u>	<u>5,330,198</u>	<u>12,995,909</u>
Revenues under expenditures before other financing sources	<u>(10,050,095)</u>	<u>(5,558,623)</u>	<u>(2,764,434)</u>	<u>(8,323,057)</u>
OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	4,220,332	3,702,021	1,394,246	5,096,267
From Street/sidewalk/SD Fund	150,463	260,785	-	260,785
Transfers out:				
To General Fund	(115,000)	(115,000)	-	(115,000)
Proceeds from the sale of fixed assets	24,000	24,000	-	24,000
Long term debt issued	5,770,300	5,856,003	-	5,856,003
Total other financing sources	<u>10,050,095</u>	<u>9,727,809</u>	<u>1,394,246</u>	<u>11,122,055</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,169,186</u>	<u>(1,370,188)</u>	<u>\$ 2,798,998</u>
Fund balance - beginning			<u>4,169,186</u>	
Fund balance - ending			<u>\$ 2,798,998</u>	

(concluded)

**CITY OF ASHEVILLE
STREET/SIDEWALK CAPITAL IMPROVEMENTS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

	Project Authorization	Prior Years	Current Year	Total To Date
REVENUES				
Restricted intergovernmental	\$ 912,132	\$ 440,000	\$ -	\$ 440,000
Private donations	5,000	-	-	-
Miscellaneous	360,000	300,077	45,284	345,361
Total revenues	<u>1,277,132</u>	<u>740,077</u>	<u>45,284</u>	<u>785,361</u>
EXPENDITURES				
Streets/sidewalks - general	<u>4,372,225</u>	<u>1,148,852</u>	<u>1,358,402</u>	<u>2,507,254</u>
Total expenditures	<u>4,372,225</u>	<u>1,148,852</u>	<u>1,358,402</u>	<u>2,507,254</u>
Revenues under expenditures before other financing sources	<u>(3,095,093)</u>	<u>(408,775)</u>	<u>(1,313,118)</u>	<u>(1,721,893)</u>
OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	<u>3,095,093</u>	<u>1,272,793</u>	<u>1,822,300</u>	<u>3,095,093</u>
Total other financing sources	<u>3,095,093</u>	<u>1,272,793</u>	<u>1,822,300</u>	<u>3,095,093</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 864,018</u>	<u>509,182</u>	<u>\$ 1,373,200</u>
Fund balance - beginning			864,018	
Fund balance - ending			<u>\$ 1,373,200</u>	

**CITY OF ASHEVILLE
SEWER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007**

	Project Authorization	Prior Years	Current Year	Total To Date
REVENUES				
Annexation	\$ 1,354,242	\$ 1,354,242	\$ -	\$ 1,354,242
Investment earnings	692,283	692,459	-	692,459
Total revenues	<u>2,046,525</u>	<u>2,046,701</u>	<u>-</u>	<u>2,046,701</u>
EXPENDITURES				
West area sewer line	2,429,600	2,317,561	-	2,317,561
Brevard Road	2,545,400	2,222,375	-	2,222,375
Carter Cove sewer line	625,617	621,047	-	621,047
Lowe's Annex sewer	160,000	83,476	-	83,476
Mill Stone/Hunting Ch.	85,000	69,751	-	69,751
Sweeten Creek sewer	61,200	58,636	-	58,636
Long Shoals Road sewer	116,500	-	4,080	4,080
Total expenditures	<u>6,023,317</u>	<u>5,372,846</u>	<u>4,080</u>	<u>5,376,926</u>
Revenues under expenditures before other financing sources	<u>(3,976,792)</u>	<u>(3,326,145)</u>	<u>(4,080)</u>	<u>(3,330,225)</u>
OTHER FINANCING SOURCES				
Transfers In:				
From General Fund	2,838,289	2,751,789	86,500	2,838,289
Long term debt issued	1,138,503	1,138,503	-	1,138,503
Total other financing sources	<u>3,976,792</u>	<u>3,890,292</u>	<u>86,500</u>	<u>3,976,792</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 564,147</u>	<u>82,420</u>	<u>\$ 646,567</u>
Fund balance - beginning			564,147	
Fund balance - ending			<u>\$ 646,567</u>	

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Proprietary Funds
Major Enterprise Fund

Enterprise funds are used to account for revenues resulting primarily from charges for services provided to the general public and the related costs of such services.

Major Enterprise Fund:

- **Water Resources** – This fund accounts for the revenues and expenses related to the City's water system.

CITY OF ASHEVILLE
WATER RESOURCES FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services:			
Water	\$ 20,070,000	\$ 20,697,430	\$ 627,430
Reconnection and delinquent fees	988,193	1,020,776	32,583
Connection and set up fees	2,215,000	2,514,527	299,527
Other services	6,195,000	6,184,135	(10,865)
Miscellaneous revenues	25,355	38,330	12,975
Total operating revenues	<u>29,493,548</u>	<u>30,455,198</u>	<u>961,650</u>
OPERATING EXPENDITURES			
Department-wide expenses	6,052,466	5,145,556	906,910
Administration	644,220	638,888	5,332
Meter service	1,333,345	1,197,541	135,804
Water conservation	78,417	72,987	5,430
Maintenance and repair - city water	4,005,630	3,415,384	590,246
Water production and quality	3,539,982	3,421,237	118,745
Construction crew	582,512	428,650	153,862
Customer service	816,189	786,378	29,811
Total operating expenditures	<u>17,052,761</u>	<u>15,106,621</u>	<u>1,946,140</u>
Operating income	<u>12,440,787</u>	<u>15,348,577</u>	<u>2,907,790</u>
NONOPERATING REVENUES (EXPENDITURES)			
Interest earned	195,000	940,606	745,606
Principal payments on debt	(2,658,511)	(2,658,511)	-
Interest and debt service charges	(2,590,220)	(2,295,937)	294,283
Total nonoperating revenues (expenditures)	<u>(5,053,731)</u>	<u>(4,013,842)</u>	<u>1,039,889</u>
Revenues over expenditures before other financing uses and appropriated fund balance	<u>7,387,056</u>	<u>11,334,735</u>	<u>3,947,679</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of capital assets	-	50,232	50,232
Transfers out:			
To Water Major Capital Projects Fund	(10,868,444)	(10,028,214)	840,230
Total other financing sources (uses)	<u>(10,868,444)</u>	<u>(9,977,982)</u>	<u>890,462</u>
Appropriated fund balance	<u>3,481,388</u>	<u>-</u>	<u>(3,481,388)</u>
Revenues and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>1,356,753</u>	<u>\$ 1,356,753</u>
Reconciling items:			
Depreciation		(4,229,696)	
Transfer to Water Major Capital Projects Fund		10,028,214	
Principal payments on debt		2,658,511	
Capital contributions		1,974,221	
Net activity in Water Bond and Water Major Cap Projects		230,233	
Capital outlay		1,015,414	
Change in net assets		<u>\$ 13,033,650</u>	

CITY OF ASHEVILLE
WATER BOND CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	Project Authorization	Prior Years	Actual Current Year	Total to Date
REVENUES				
Investment earnings	\$ 106,146	\$ 1,918,507	\$ 48,984	\$ 1,967,491
Total revenues	<u>106,146</u>	<u>1,918,507</u>	<u>48,984</u>	<u>1,967,491</u>
EXPENDITURES				
Black Mtn conversion	569,214	1,000	491,019	492,019
Lutherridge	13,857	-	13,855	13,855
Reservoir rehab	377,153	12,586	192,299	204,885
Total expenditures	<u>960,224</u>	<u>13,586</u>	<u>697,173</u>	<u>710,759</u>
Revenues under expenditures before other financing sources	<u>(854,078)</u>	<u>1,904,921</u>	<u>(648,189)</u>	<u>1,256,732</u>
OTHER FINANCING SOURCES				
Proceeds from sale of bonds	854,078	779,015	-	779,015
Total other financing sources	<u>854,078</u>	<u>779,015</u>	<u>-</u>	<u>779,015</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,683,936</u>	<u>\$ (648,189)</u>	<u>\$ 2,035,747</u>

CITY OF ASHEVILLE
WATER MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Developer pump station replacements	\$ -	\$ -	\$ 9,990	\$ 9,990
Total revenues	-	-	9,990	9,990
EXPENDITURES				
Critical needs phase 2	157,000	67,500	86,038	153,538
Matching funds \$3M grant	155,369	29,672	7,500	37,172
Critical needs III -3	1,341,785	2,266	819,012	821,278
Treatment upgrades	3,197,180	2,920,695	62,557	2,983,252
NC191 Sardis Road	1,320,266	18,834	946,595	965,429
Smokcy Park bridge	47,703	2,094	45,608	47,702
Brevard Road	1,226,000	1,248	450	1,698
2004 Annexation	135,000	32,220	102,778	134,998
NCDOT-Mill Creek	111,977	5,088	106,888	111,976
Long Shoal I-26 to US 25	1,237,200	10,704	12,612	23,316
2005 Annexation	176,640	7,950	8,369	16,319
Sand Hill- Enka Lake	410,000	450	1,590	2,040
Computer Mgmt. Maint.	476,307	128,579	345,920	474,499
Fairview Road	1,277,062	205,118	983,373	1,188,491
NCDOT Exit 44	83,333	-	-	-
Treatment plant	7,913,371	-	199,927	199,927
Distribution center	431,747	-	-	-
MGMT tools/equipment	1,151,643	-	-	-
Hominy Creek Bridge	98,357	-	-	-
Total expenditures	20,947,940	3,432,418	3,729,217	7,161,635
Revenues under expenditures before other financing sources	(20,947,940)	(3,432,418)	(3,719,227)	(7,151,645)
OTHER FINANCING SOURCES				
Transfers in:				
From Water Resources Fund	20,103,649	9,809,893	10,028,214	19,838,107
Capital grants	844,291	105,317	172,252	277,569
Total other financing sources	20,947,940	9,915,210	10,200,466	20,115,676
Revenues and other financing sources over expenditures	\$ -	\$ 6,482,792	\$ 6,481,239	\$ 12,964,031

Proprietary Funds
Non-major Enterprise Funds

Enterprise funds are used to account for revenues resulting primarily from charges for services provided to the general public and the related costs of such services.

Non-major Enterprise Funds:

- **Civic Center** – This fund accounts for the revenues and expenses related to the City's civic center operations.
- **Parking Services** – This fund accounts for the revenues and expenses related to the City's public parking system.
- **Festivals** – This fund accounts for the revenues and expenses related to Bele Chere, the City's annual downtown festival.
- **Mass Transit** – This fund accounts for the revenues and expenses related to the City's transportation system.
- **Stormwater** – This fund accounts for the revenues and expenses related to the City's stormwater program.
- **Golf Course** – This fund accounts for the revenues and expenses related to the City's Municipal golf course

CITY OF ASHEVILLE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
June 30, 2007

	Civic Center	Parking Services	Festivals
ASSETS			
Current assets:			
Cash and investments	\$ 621,941	\$ 1,482,840	\$ 1,000
Accounts receivable	130,932	218,709	-
Intergovernmental receivable	-	-	-
Inventories	22,543	-	-
Prepays	-	-	14,967
Total current assets	<u>775,416</u>	<u>1,701,549</u>	<u>15,967</u>
Restricted assets:			
Cash and investments	<u>1,573,931</u>	<u>-</u>	<u>-</u>
Capital assets:			
Land	400,000	4,324,487	-
Buildings and improvements	9,870,787	8,907,727	-
Machinery and equipment	1,492,054	505,930	-
Infrastructure	-	-	-
Construction in progress	15,000	1,095,005	-
Total capital assets	<u>11,777,841</u>	<u>14,833,149</u>	<u>-</u>
Accumulated depreciation	<u>(9,556,298)</u>	<u>(4,257,045)</u>	<u>-</u>
Net capital assets	<u>2,221,543</u>	<u>10,576,104</u>	<u>-</u>
Other assets:			
Unamortized debt issuance costs	<u>-</u>	<u>7,867</u>	<u>-</u>
Total assets	<u>4,570,890</u>	<u>12,285,520</u>	<u>15,967</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
June 30, 2007

Mass Transit	Stormwater	Golf Course	Total Non-major Enterprise Funds
\$ -	\$ 942,612	\$ 33,492	\$ 3,081,885
-	530,562	-	880,203
2,456,184	-	-	2,456,184
54,022	-	6,475	83,040
-	-	-	14,967
<u>2,510,206</u>	<u>1,473,174</u>	<u>39,967</u>	<u>6,516,279</u>
-	-	-	1,573,931
161,838	-	1,108,500	5,994,825
1,677,048	12,439	853,900	21,321,901
5,722,310	1,483,113	10,798	9,214,205
-	12,015,652	-	12,015,652
<u>47,378</u>	<u>-</u>	<u>-</u>	<u>1,157,383</u>
7,608,574	13,511,204	1,973,198	49,703,966
<u>(4,899,888)</u>	<u>(8,944,404)</u>	<u>(60,609)</u>	<u>(27,718,244)</u>
<u>2,708,686</u>	<u>4,566,800</u>	<u>1,912,589</u>	<u>21,985,722</u>
-	-	-	7,867
<u>5,218,892</u>	<u>6,039,974</u>	<u>1,952,556</u>	<u>30,083,799</u>

(continued)

CITY OF ASHEVILLE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
June 30, 2007

	Civic Center	Parking Services	Festivals
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 27,701	\$ 1,855	\$ 28
Customer deposits	-	500	-
Accrued interest payable	-	25,884	-
Other accrued expenses	-	18,621	9,435
Due to other funds	-	-	1,143,478
Installment purchase contracts	-	570,002	-
Compensated absences	59,274	22,202	11,217
Unearned revenue	-	-	244,767
Total current liabilities	<u>86,975</u>	<u>639,064</u>	<u>1,408,925</u>
Noncurrent Liabilities:			
Installment purchase contracts	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>86,975</u>	<u>639,064</u>	<u>1,408,925</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,221,543	10,006,102	-
Unrestricted	2,262,372	1,640,354	(1,392,958)
Total net assets	<u>\$ 4,483,915</u>	<u>\$ 11,646,456</u>	<u>\$ (1,392,958)</u>

<u>Mass Transit</u>	<u>Stormwater</u>	<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$ 16,000	\$ 5,748	\$ 21,738	\$ 73,070
-	-	-	500
-	36	-	25,920
6,156	41,404	20,612	96,228
1,364,720	-	-	2,508,198
-	43,000	-	613,002
7,968	77,506	16,140	194,307
-	-	-	244,767
<u>1,394,844</u>	<u>167,694</u>	<u>58,490</u>	<u>3,755,992</u>
-	129,000	-	129,000
-	<u>129,000</u>	-	<u>129,000</u>
<u>1,394,844</u>	<u>296,694</u>	<u>58,490</u>	<u>3,884,992</u>
2,708,686	4,394,800	1,912,589	21,243,720
1,115,362	1,348,480	(18,523)	4,955,087
<u>\$ 3,824,048</u>	<u>\$ 5,743,280</u>	<u>\$ 1,894,066</u>	<u>\$ 26,198,807</u>
			(concluded)

CITY OF ASHEVILLE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Civic Center	Parking Services	Festivals
OPERATING REVENUES			
Charges for services	\$ 138,096	\$ 2,870,278	\$ 419,635
Rents	571,361	-	168,451
Concessions	638,474	-	257,740
Miscellaneous revenues	207,537	-	22,501
Total operating revenues	<u>1,555,468</u>	<u>2,870,278</u>	<u>868,327</u>
OPERATING EXPENSES			
Salaries and fringe benefits	1,042,712	481,258	226,972
Contractual services	214,488	300,521	671,819
Supplies and materials	71,828	30,477	51,050
Outside repairs	48,826	65,679	-
Depreciation	246,566	234,149	-
Interfund charges	5,967	30,707	1,260
Utilities	256,918	77,672	3,211
Cost of merchandise sold	192,206	-	101,182
Other operating expenses	140,518	40,717	202,327
Total operating expenses	<u>2,220,029</u>	<u>1,261,180</u>	<u>1,257,821</u>
Operating income (loss)	<u>(664,561)</u>	<u>1,609,098</u>	<u>(389,494)</u>
NONOPERATING REVENUES (EXPENSES)			
Operating grants	-	-	-
Interest earned	83,723	56,743	-
Interest expense	-	(68,879)	(57,025)
Loss on sale of capital assets	-	-	-
Total nonoperating revenues (expenses)	<u>83,723</u>	<u>(12,136)</u>	<u>(57,025)</u>
Income (loss) before transfers	(580,838)	1,596,962	(446,519)
Transfers in/out:			
Transfers from General Fund	1,358,340	-	-
Transfers to Grant fund	-	-	-
Transfers to Asheville Transit	-	(248,116)	-
Capital grants and contributions	-	-	-
Changes in net assets	<u>777,502</u>	<u>1,348,846</u>	<u>(446,519)</u>
Total net assets - beginning	3,706,413	10,297,610	(946,439)
Total net assets - ending	<u>\$ 4,483,915</u>	<u>\$ 11,646,456</u>	<u>\$ (1,392,958)</u>

Mass Transit	Stormwater	Golf Course	Total Non-major Enterprise Funds
\$ 643,423	\$ 3,035,331	\$ 563,746	\$ 7,670,509
-	-	258,377	998,189
-	-	71,914	968,128
324,851	-	-	554,889
<u>968,274</u>	<u>3,035,331</u>	<u>894,037</u>	<u>10,191,715</u>
111,230	1,222,639	578,618	3,663,429
3,968,401	196,710	24,241	5,376,180
706	219,825	67,779	441,665
-	-	-	114,505
195,821	585,939	42,695	1,305,170
2,771	126,803	7,791	175,299
17,546	9,324	33,389	398,060
-	-	93,225	386,613
265,395	130,806	148,576	928,339
<u>4,561,870</u>	<u>2,492,046</u>	<u>996,314</u>	<u>12,789,260</u>
(3,593,596)	543,285	(102,277)	(2,597,545)
2,373,935	-	-	2,373,935
-	38,605	2,215	181,286
(71,296)	(8,251)	-	(205,451)
943	-	-	943
<u>2,303,582</u>	<u>30,354</u>	<u>2,215</u>	<u>2,350,713</u>
(1,290,014)	573,639	(100,062)	(246,832)
1,046,596	-	-	2,404,936
-	(88,000)	-	(88,000)
248,116	-	-	-
1,425,059	-	-	1,425,059
<u>1,429,757</u>	<u>485,639</u>	<u>(100,062)</u>	<u>3,495,163</u>
2,394,291	5,257,641	1,994,128	22,703,644
<u>\$ 3,824,048</u>	<u>\$ 5,743,280</u>	<u>\$ 1,894,066</u>	<u>\$ 26,198,807</u>

CITY OF ASDHEVILLE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Civic Center</u>	<u>Parking Services</u>	<u>Festivals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,424,581	\$ 2,833,943	\$ 887,042
Cash paid for goods and services	(966,132)	(567,997)	(1,028,525)
Cash paid to employees	(1,027,801)	(471,034)	(228,151)
Net cash provided by (used for) operating activities	<u>(569,352)</u>	<u>1,794,912</u>	<u>(369,634)</u>
Cash flows from noncapital financing activities:			
Operating grants received	-	-	-
Transfers from (to) other funds	1,358,340	(248,116)	-
Advances received from other funds	-	-	427,659
Net cash provided by (used for) non-capital financing activities	<u>1,358,340</u>	<u>(248,116)</u>	<u>427,659</u>
Cash flows from capital and related financing activities:			
Proceeds from leases	-	-	-
Receipts from capital grants or contributions	-	-	-
Acquisition and construction of assets	(15,000)	(14,500)	-
Principal paid on debt	-	(534,640)	-
Interest paid on debt	-	(71,854)	(57,025)
Proceeds from sale of capital assets	-	-	-
Net cash used for capital and related financing activities	<u>(15,000)</u>	<u>(620,994)</u>	<u>(57,025)</u>
Cash flows from investing activities:			
Interest earned	83,723	56,743	-
Net cash provided by investing activities	<u>83,723</u>	<u>56,743</u>	<u>-</u>
Net increase in cash and cash equivalents	857,711	982,545	1,000
Cash and cash equivalents:			
Beginning of year, July 1	<u>1,338,161</u>	<u>500,295</u>	<u>-</u>
End of year, June 30	<u>\$ 2,195,872</u>	<u>\$ 1,482,840</u>	<u>\$ 1,000</u>

<u>Mass Transit</u>	<u>Stormwater</u>	<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
\$ 968,274	\$ 2,853,641	\$ 894,037	\$ 9,861,518
(4,693,678)	(707,721)	(370,291)	(8,334,344)
(113,220)	(1,177,681)	(573,329)	(3,591,216)
<u>(3,838,624)</u>	<u>968,239</u>	<u>(49,583)</u>	<u>(2,064,042)</u>
1,076,139	-	-	1,076,139
1,294,712	(88,000)	-	2,316,936
<u>1,364,720</u>	<u>-</u>	<u>-</u>	<u>1,792,379</u>
3,735,571	(88,000)	-	5,185,454
-	-	-	-
1,418,295	-	-	1,418,295
(1,444,325)	(223,795)	-	(1,697,620)
-	(43,000)	-	(577,640)
(71,296)	(8,251)	-	(208,426)
<u>943</u>	<u>-</u>	<u>-</u>	<u>943</u>
(96,383)	(275,046)	-	(1,064,448)
-	38,605	2,215	181,286
-	<u>38,605</u>	<u>2,215</u>	<u>181,286</u>
(199,436)	643,798	(47,368)	2,238,250
<u>199,436</u>	<u>298,814</u>	<u>80,860</u>	<u>2,417,566</u>
<u>\$ -</u>	<u>\$ 942,612</u>	<u>\$ 33,492</u>	<u>\$ 4,655,816</u>

CITY OF ASHEVILLE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Civic Center</u>	<u>Parking Services</u>	<u>Festivals</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (664,561)	\$ 1,609,098	\$ (389,494)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	246,566	234,149	-
Changes in assets and liabilities:			
Increase in accounts receivable	(130,887)	(36,335)	-
(Increase) decrease in inventories	590	-	-
Increase in prepaid expenses	-	-	4,676
Increase (decrease) in other accrued expenses	(28,044)	7,978	(974)
Decrease in accounts payable	(7,927)	(22,224)	(1,378)
Increase in unearned assets	-	-	18,715
Increase(decrease) in accrued compensated absences	14,911	2,246	(1,179)
Total adjustments	<u>95,209</u>	<u>185,814</u>	<u>19,860</u>
Net cash provided by (used for) operating activities	<u>\$ (569,352)</u>	<u>\$ 1,794,912</u>	<u>\$ (369,634)</u>
Reconciliation of cash and cash equivalents			
Cash and cash equivalents:			
Unrestricted	\$ 621,941	\$ 1,482,840	\$ 1,000
Restricted	1,573,931	-	-
Total cash and cash equivalents	<u>\$ 2,195,872</u>	<u>\$ 1,482,840</u>	<u>\$ 1,000</u>

<u>Mass Transit</u>	<u>Stormwater</u>	<u>Golf Course</u>	<u>Total Non-major Enterprise Funds</u>
<u>\$ (3,593,596)</u>	<u>\$ 543,285</u>	<u>\$ (102,277)</u>	<u>\$ (2,597,545)</u>
195,821	585,939	42,695	1,305,170
-	(181,690)	-	(348,912)
(18)	-	5,773	6,345
-	-	-	4,676
2,815	15,191	1,959	(1,075)
(441,656)	(39,444)	(3,022)	(515,651)
-	-	-	18,715
(1,990)	44,958	5,289	64,235
<u>(245,028)</u>	<u>424,954</u>	<u>52,694</u>	<u>533,503</u>
<u>\$ (3,838,624)</u>	<u>\$ 968,239</u>	<u>\$ (49,583)</u>	<u>\$ (2,064,042)</u>
\$ -	\$ 942,612	\$ 33,492	\$ 3,081,885
-	-	-	1,573,931
<u>\$ -</u>	<u>\$ 942,612</u>	<u>\$ 33,492</u>	<u>\$ 4,655,816</u>

**CITY OF ASHEVILLE
CIVIC CENTER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Rents	\$ 622,782	\$ 571,361	\$ (51,421)
Concessions	616,000	638,474	22,474
Advertising and promotions	10,000	7,824	(2,176)
Staffing charges	112,000	109,272	(2,728)
Box office charges	35,550	28,824	(6,726)
Other	161,000	128,202	(32,798)
Maintenance fee	67,300	71,511	4,211
Total operating revenues	<u>1,624,632</u>	<u>1,555,468</u>	<u>(69,164)</u>
OPERATING EXPENDITURES			
General operations	1,080,636	983,375	97,261
Event personnel	159,409	160,339	(930)
Concessions/operating	442,142	402,551	39,591
Maintenance	306,095	304,456	1,639
Box office/operating	124,738	122,742	1,996
Total operating expenditures	<u>2,113,020</u>	<u>1,973,463</u>	<u>139,557</u>
Operating loss	<u>(488,388)</u>	<u>(417,995)</u>	<u>70,393</u>
NONOPERATING REVENUES			
Interest earned	14,799	83,723	68,924
Total nonoperating revenues	<u>14,799</u>	<u>83,723</u>	<u>68,924</u>
Deficiency of revenues over expenditures	(473,589)	(334,272)	139,317
OTHER FINANCING SOURCES			
Transfers in:			
From General Fund	413,340	413,340	-
Appropriated fund balance	<u>60,249</u>	<u>-</u>	<u>(60,249)</u>
Revenues, other financing sources and appropriated fund balance over expenditures	<u>\$ -</u>	<u>79,068</u>	<u>\$ 79,068</u>
Reconciling items:			
Transfer from the General Fund		945,000	
Depreciation		(246,566)	
Change in net assets		<u>\$ 777,502</u>	

CITY OF ASHEVILLE
CIVIC CENTER CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Investment earnings	\$ -	\$ -	\$ -	\$ -
Maintenance fees	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES				
Arena roof replacement	1,500,000	-	15,000	15,000
Main cooling tower	13,573	-	-	-
Air handler repair	2,756	-	-	-
Minor capital equipment	20,875	-	-	-
Standby transformer	45,000	-	-	-
Concession Equipment	10	-	-	-
General Improvements	9,333	-	-	-
Total expenditures	1,591,547	-	15,000	15,000
Revenues under expenditures before other financing sources	(1,591,547)	-	(15,000)	(15,000)
OTHER FINANCING SOURCES				
Transfers in:				
From General Fund	1,591,547	643,931	945,000	1,588,931
Total other financing sources	1,591,547	643,931	945,000	1,588,931
Revenues and other financing sources over expenditures	\$ -	\$ 643,931	\$ 930,000	\$ 1,573,931

CITY OF ASHEVILLE
PARKING SERVICES FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Parking fees	\$ 2,847,116	\$ 2,870,278	\$ 23,162
Other fees	40,000	-	(40,000)
Total operating revenues	<u>2,887,116</u>	<u>2,870,278</u>	<u>(16,838)</u>
OPERATING EXPENDITURES			
Parking services	601,542	507,582	93,960
Parking garages	1,163,358	519,449	643,909
Capital outlay	18,901	14,500	4,401
Total operating expenditures	<u>1,783,801</u>	<u>1,041,531</u>	<u>742,270</u>
Operating income	<u>1,103,315</u>	<u>1,828,747</u>	<u>725,432</u>
NONOPERATING REVENUES (EXPENDITURES)			
Interest earned	12,000	56,743	44,743
Principal payments on debt	(534,640)	(534,640)	-
Interest and debt service charges	(751,632)	(68,879)	682,753
Total nonoperating revenues (expenditures)	<u>(1,274,272)</u>	<u>(546,776)</u>	<u>727,496</u>
Revenues over (under) expenditures before other financing sources and appropriated fund balance	(170,957)	1,281,971	1,452,928
OTHER FINANCING SOURCES:			
Transfers out:			
To Asheville Transit Systems	(248,116)	(248,116)	-
Appropriated fund balance	<u>419,073</u>	<u>-</u>	<u>(419,073)</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	<u>1,033,855</u>	<u>\$ 1,033,855</u>
Reconciling items:			
Depreciation		(234,149)	
Principal payments on debt		534,640	
Capital outlay		14,500	
Change in net assets		<u>\$ 1,348,846</u>	

CITY OF ASHEVILLE
PARKING SERVICES CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES-BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Rental income	\$ -	\$ 44,046	\$ -	\$ 44,046
Investment earnings	60	1,304	-	1,304
Total revenues	60	45,350	-	45,350
EXPENDITURES				
Battery Park parking deck	20,900,000	4,046,632	-	4,046,632
Employee parking lot	4,240	-	-	-
Cushman	20,000	-	-	-
Interest and debt service charges	60	2,030	-	2,030
Total expenditures	20,924,300	4,048,662	-	4,048,662
Revenues under expenditures before other financing sources	(20,924,240)	(4,003,312)	-	(4,003,312)
OTHER FINANCING SOURCES				
Proceeds from the sale of bonds	20,900,000	-	-	-
Transfers in:				
From General Fund	20,000	43,084	-	43,084
From Parking Services Fund	4,240	346,200	-	346,200
Total other financing sources	20,924,240	389,284	-	389,284
Revenues and other financing sources under expenditures	\$ -	\$ (3,614,028)	\$ -	\$ (3,614,028)

**CITY OF ASHEVILLE
FESTIVALS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Bele Chere 2006	\$ 938,137	\$ 617,850	\$ (320,287)
Bele Chere 2007	371,652	244,767	(126,885)
Other Festivals 2006	37,089	24,427	(12,662)
Other Festivals 2007	-	-	-
Total operating revenues	<u>1,346,878</u>	<u>887,044</u>	<u>(459,834)</u>
OPERATING EXPENDITURES			
Bele Chere 2006	1,121,307	1,090,746	30,561
Bele Chere 2007	7,131	6,937	194
Other Festivals 2006	210,186	204,457	5,729
Other Festivals 2007	8,254	8,030	224
Total operating expenditures	<u>1,346,878</u>	<u>1,310,170</u>	<u>36,708</u>
Revenues under expenditures before other financing sources	<u>-</u>	<u>(423,126)</u>	<u>(423,126)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>(423,126)</u>	<u>\$ (423,126)</u>
Reconciling items:			
Net change in deferred revenues		(18,717)	
Net change in prepaids		(4,676)	
Change in net assets		<u>\$ (446,519)</u>	

**CITY OF ASHEVILLE
MASS TRANSIT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Passenger fares	\$ 700,445	\$ 643,423	\$ (57,022)
Other	327,000	324,851	(2,149)
Total operating revenues	<u>1,027,445</u>	<u>968,274</u>	<u>(59,171)</u>
OPERATING EXPENDITURES			
Administration	244,060	248,316	(4,256)
Transit operations	4,286,646	3,970,262	316,384
Total operating expenses	<u>4,530,706</u>	<u>4,218,578</u>	<u>312,128</u>
Operating loss	<u>(3,503,261)</u>	<u>(3,250,304)</u>	<u>252,957</u>
NONOPERATING REVENUES (EXPENDITURES)			
State and federal grants	2,213,549	2,374,658	161,109
Interest and debt service charges	(5,000)	(71,296)	(66,296)
Proceeds from sale of capital assets	-	943	943
Total nonoperating revenues	<u>2,208,549</u>	<u>2,304,305</u>	<u>95,756</u>
Revenues under expenditures before other financing sources (uses)	(1,294,712)	(945,999)	348,713
OTHER FINANCING SOURCES			
Transfer in:			
From General Fund	1,046,596	1,046,596	-
From Parking Services Fund	248,116	248,116	-
Revenues and other financing sources under expenditures	<u>\$ -</u>	348,713	<u>\$ 348,713</u>
Reconciling items:			
Donated assets		6,041	
Noncapitalized expenditures in the Capital Project's Fund		(148,194)	
State and federal grants in the Capital Project's Fund		1,419,018	
Depreciation		(195,821)	
Change in net assets		<u>\$ 1,429,757</u>	

CITY OF ASHEVILLE
MASS TRANSIT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
FROM INCEPTION FOR THE YEAR ENDED JUNE 30, 2007

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
REVENUES				
Intergovernmental	\$ 4,517,577	\$ 41,547	\$ 1,419,018	\$ 1,460,565
Total revenues	<u>4,517,577</u>	<u>41,547</u>	<u>1,419,018</u>	<u>1,460,565</u>
EXPENDITURES				
Bus shelter & benches	207,615	-	-	-
Cross walks	45,000	40,396	-	40,396
General system improvements	339,707	6,983	42,528	49,511
Support vehicle	12,563	-	-	-
Vehicle replacement	92,603	-	-	-
General operations center	137,200	63,272	-	63,272
Passenger center	5,575	-	-	-
General capital projects	15,442	-	-	-
Transit garage light	37,000	-	-	-
Bus purchases	3,578,570	-	1,452,317	1,452,317
Top A Stop	3,025	-	3,025	3,025
Signal priority	400,000	-	-	-
Portable lifts	40,000	-	-	-
Transit radios	115,000	-	93,926	93,926
Total expenditures	<u>5,029,300</u>	<u>110,651</u>	<u>1,591,796</u>	<u>1,702,447</u>
Revenues under expenditures before other financing sources	<u>(511,723)</u>	<u>(69,104)</u>	<u>(172,778)</u>	<u>(241,882)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in/out:				
From Transit Operating Fund	147,233	71,746	-	71,746
From General Fund	364,490	529,320	-	529,320
Total other financing sources	<u>511,723</u>	<u>601,066</u>	<u>-</u>	<u>601,066</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 531,962</u>	<u>\$ (172,778)</u>	<u>\$ 359,184</u>

**CITY OF ASHEVILLE
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services	\$ 2,215,500	\$ 3,035,331	\$ 819,831
	<u>2,215,500</u>	<u>3,035,331</u>	<u>819,831</u>
OPERATING EXPENDITURES			
Storm Drainage	1,370,399	1,294,543	75,856
Storm Water	856,621	611,564	245,057
Capital Outlay	247,481	223,795	23,686
Total operating expenses	<u>2,474,501</u>	<u>2,129,902</u>	<u>344,599</u>
Operating income (loss)	<u>(259,001)</u>	<u>905,429</u>	<u>1,164,430</u>
NONOPERATING REVENUES (EXPENDITURES)			
Investment Earnings	-	38,605	38,605
Principal payment on debt	(43,000)	(43,000)	-
Interest Expense	(8,216)	(8,251)	(35)
Total nonoperating revenues(expenses)	<u>(51,216)</u>	<u>(12,646)</u>	<u>38,570</u>
Revenues over (under) expenditures before other financing sources	(310,217)	892,783	1,203,000
OTHER FINANCING SOURCES			
Transfer out:			
To Special Revenue Fund	(88,000)	(88,000)	-
Long term debt issued	200,000	-	(200,000)
Appropriated fund balance	198,217	-	(198,217)
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>804,783</u>	<u>\$ 804,783</u>
Reconciling items:			
Depreciation		(585,939)	
Capital outlay		223,795	
Principal payments on debt		43,000	
Change in net assets		<u>\$ 485,639</u>	

**CITY OF ASHEVILLE
GOLF COURSE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2007**

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Pro-shop sales	\$ 80,000	\$ 44,363	\$ (35,637)
Membership fees	140,000	164,891	24,891
Concessions	80,000	71,914	(8,086)
Equipment rental	280,000	258,377	(21,623)
Green Fees	447,000	354,492	(92,508)
Total operating revenues	<u>1,027,000</u>	<u>894,037</u>	<u>(132,963)</u>
OPERATING EXPENDITURES			
Administration	<u>1,052,205</u>	<u>953,619</u>	<u>98,586</u>
Total operating expenses	<u>1,052,205</u>	<u>953,619</u>	<u>98,586</u>
Operating income (loss)	<u>(25,205)</u>	<u>(59,582)</u>	<u>(34,377)</u>
NONOPERATING REVENUES			
Investment Earnings	<u>1,000</u>	<u>2,215</u>	<u>1,215</u>
Total nonoperating revenues	<u>1,000</u>	<u>2,215</u>	<u>1,215</u>
Revenues under expenditures before other financing sources	<u>(24,205)</u>	<u>(57,367)</u>	<u>(33,162)</u>
OTHER FINANCING SOURCES			
Appropriated fund balance	<u>24,205</u>	<u>-</u>	<u>(24,205)</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>(57,367)</u>	<u>\$ (57,367)</u>
Reconciling items:			
Depreciation		<u>(42,695)</u>	
Change in net assets		<u>\$ (100,062)</u>	

Agency Fund

The Agency Fund has been established to account for transactions processed and balances held by the City in its capacity as agent for other entities. The Financial Statement of the Agency Fund represents the changes in assets and liabilities of the City's Agency Fund.

Agency - Civic Center Fund is the box office operation at the Civic Center.

CITY OF ASHEVILLE
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2007

CIVIC CENTER AGENCY FUND	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets:				
Cash and investments	<u>\$ 102,404</u>	<u>\$ 350,302</u>	<u></u>	<u>\$ 452,706</u>
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 102,404</u>	<u>\$ 350,302</u>	<u>\$ -</u>	<u>\$ 452,706</u>

Other Supplemental Information

This section contains additional information on property taxes for the year ended June 30, 2007.

- Schedule of Ad Valorem taxes receivable.
- Analysis of Current Tax Levy and Secondary Market Disclosures City-Wide Levy.

CITY OF ASHEVILLE
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
JUNE 30, 2007

<u>Fiscal Year</u> <u>Year</u> <u>Ended</u> <u>June 30, 2007</u>	<u>Taxes</u> <u>Receivable</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Collections</u> <u>and</u> <u>Other</u> <u>Reductions (a)</u>	<u>Taxes</u> <u>Receivable</u> <u>June 30, 2007</u>
1997	\$ 73,245	\$ -	\$ 61,637	\$ 11,608
1998	58,347	-	(18,340)	76,687
1999	47,381	-	1,743	45,638
2000	52,523	-	2,298	50,225
2001	70,976	-	12,951	58,025
2002	71,205	-	4,476	66,729
2003	109,387	-	9,223	100,164
2004	87,003	-	7,948	79,055
2005	125,134	-	19,249	105,885
2006	312,554	-	203,874	108,680
2007	-	41,675,282	41,414,478	260,804
TOTALS	\$ 1,007,755	\$ 41,675,282	\$ 41,719,537	963,500
Less: Allowance for uncollectible accounts:				
General Fund				781,587
Ad valorem taxes receivable-net				<u>\$ 181,913</u>

NOTES:

(a) Reconcilement to revenues collected:

Revenue - General Fund	\$ 41,263,802
Tax penalties collected	(98,631)
Taxes written off	61,637
Releases	529,409
Other Reconciling Item	(36,680)
Collections and other reductions	<u>\$ 41,719,537</u>

CITY OF ASHEVILLE
ANALYSIS OF CURRENT TAX LEVY AND SECONDARY MARKET DISCLOSURES
CITY - WIDE LEVY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	City - Wide			Total Levy	
	Property Valuation (000's)	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 9,139,490	\$ 0.42	\$ 38,733,158	\$ 36,211,385	\$ 2,521,773
Discoveries:					
Current year taxes	764,086	0.42	3,238,197	3,238,197	-
Penalties	-		28,519	28,519	-
Abatements	(156,929)		(324,593)	(248,777)	(75,816)
Total Property Valuation	<u>\$ 9,746,647</u>				
Net Levy			41,675,282	39,229,324	2,445,957
Uncollected taxes at June 30, 2007			(260,804)	(101,245)	(159,559)
Current year's taxes collected (a)			<u>\$ 41,414,478</u>	<u>\$ 39,128,079</u>	<u>\$ 2,286,398</u>
Current levy collection percentage			<u>99.37%</u>	<u>99.74%</u>	<u>93.48%</u>

Secondary Market Disclosures:

Assessed Valuation: (dollars in thousands)

Assessment ratio	100 %
Real property	\$ 8,430,384
Personal property	1,126,837
Public service companies	<u>189,426</u>
Total Assessed Valuation (dollars in thousands)	9,746,647
Tax Rate per \$100	<u>0.42</u>
Total Tax Levy	<u>\$ 41,675,282</u>

(a) Excludes interest and cost collections

Source: Buncombe County Tax Collector

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STATISTICAL SECTION

(Unaudited)

This part of The City of Asheville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service, water system, and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF ASHEVILLE
NET ASSETS BY COMPONENT
Last Five Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 173,740	\$ 173,149	\$ 168,990	\$ 173,599	\$ 166,595
Restricted	31	5,750	5,774	12,076	7,272
Unrestricted	31,017	25,714	28,301	27,118	44,754
Total governmental activities net assets	<u>\$ 204,788</u>	<u>\$ 204,613</u>	<u>\$ 203,065</u>	<u>\$ 212,793</u>	<u>\$ 218,621</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 61,794	\$ 75,087	\$ 80,280	\$ 92,519	\$ 99,339
Restricted	-	-	-	-	-
Unrestricted	22,964	24,981	25,480	29,832	39,540
Total business-type activities net assets	<u>\$ 84,758</u>	<u>\$ 100,068</u>	<u>\$ 105,760</u>	<u>\$ 122,351</u>	<u>\$ 138,879</u>
Primary government					
Invested in capital assets, net of related debt	\$ 235,534	\$ 248,236	\$ 249,270	\$ 266,118	\$ 265,934
Restricted	31	5,750	5,774	12,076	7,272
Unrestricted	53,981	50,695	53,781	56,950	84,294
Total primary government net assets	<u>\$ 289,546</u>	<u>\$ 304,681</u>	<u>\$ 308,825</u>	<u>\$ 335,144</u>	<u>\$ 357,500</u>

CITY OF ASHEVILLE
NET ASSETS BY COMPONENT
Last Five Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 24,243	\$ 21,148	\$ 14,782	\$ 16,033	\$ 18,249
Public safety	26,370	30,513	31,480	33,384	34,454
Highways and streets	4,800	5,651	22,399	20,076	21,239
Environmental protection	5,190	5,025	-	-	-
Economic development	3,577	3,533	5,181	4,785	5,920
Culture and recreation	5,801	5,120	7,347	7,783	9,767
Interest on long-term debt	1,440	1,341	1,182	1,179	1,243
Total governmental activities expenses	<u>71,421</u>	<u>72,331</u>	<u>82,371</u>	<u>83,240</u>	<u>90,872</u>
Business-type activities:					
Water resources	17,106	20,624	21,093	20,194	20,617
Civic center	2,003	2,669	2,361	2,252	2,220
Festivals	801	1,121	1,067	1,270	1,315
Parking services	1,016	1,348	1,364	1,249	1,330
Mass transit	3,575	3,775	3,928	4,262	4,633
Stormwater	-	-	-	1,995	2,500
Golf Course	-	-	-	884	997
Total business-type activities expenses	<u>24,501</u>	<u>29,537</u>	<u>29,813</u>	<u>32,106</u>	<u>33,612</u>
Total primary government expenses	<u>\$ 95,922</u>	<u>\$ 101,868</u>	<u>\$ 112,184</u>	<u>\$ 115,346</u>	<u>\$ 124,484</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 8,491	\$ 6,720	\$ 8,002	\$ 9,255	\$ 8,766
Public safety	4,529	5,074	3,415	2,881	3,747
Other activities	573	213	186	3,029	3,140
Operating grants and contributions	5,782	6,786	9,553	6,645	6,578
Capital grants and contributions	498	463	346	2,897	2,374
Total governmental activities program revenues	<u>19,873</u>	<u>19,256</u>	<u>21,502</u>	<u>24,707</u>	<u>24,605</u>
Business-type activities:					
Charges for services:					
Water resources	22,598	22,795	23,174	23,992	30,465
Civic center	1,099	1,302	1,798	1,526	1,556
Festivals	463	425	701	1,033	868
Parking services	2,120	2,594	2,520	2,383	2,870
Mass transit	592	689	671	752	968
Stormwater	-	-	-	2,357	3,035
Golf Course	-	-	-	839	894
Operating grants and contributions	1,597	1,884	2,501	2,171	2,374
Capital grants and contributions	255	2,077	2,165	4,137	3,571
Total business-type activities program revenue	<u>28,724</u>	<u>31,766</u>	<u>33,530</u>	<u>39,190</u>	<u>46,601</u>
Total primary government program revenue	<u>\$ 48,597</u>	<u>\$ 51,022</u>	<u>\$ 55,032</u>	<u>\$ 63,897</u>	<u>\$ 71,206</u>
Net (expense) / revenue:					
Governmental activities	\$ (51,548)	\$ (53,075)	\$ (60,869)	\$ (58,533)	\$ (66,267)
Business-type activities	4,223	2,229	3,717	7,084	12,990
Total primary government net expense	<u>\$ (47,325)</u>	<u>\$ (50,846)</u>	<u>\$ (57,152)</u>	<u>\$ (51,449)</u>	<u>\$ (53,277)</u>

CITY OF ASHEVILLE
NET ASSETS BY COMPONENT (continued)
Last Five Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 34,988	\$ 33,947	\$ 35,079	\$ 36,914	\$ 41,254
Sales taxes	12,028	13,571	14,545	16,107	17,399
Other taxes	4,669	6,656	8,257	6,086	6,163
Unrestricted grants and contributions	7,433	290	222	1,059	1,513
Investment earnings and miscellaneous	1,598	1,513	2,407	2,724	3,127
Gain on sale of capital assets	108	167	97	126	(89)
Special item	-	-	-	7,189	5,044
Transfers	(1,849)	(1,883)	(1,941)	(1,943)	(2,317)
Total governmental activities	<u>58,975</u>	<u>54,261</u>	<u>58,666</u>	<u>68,262</u>	<u>72,094</u>
Business-type activities:					
Investment earnings and miscellaneous	(2,666)	696	-	542	1,171
Gain on sale of capital assets	493	45	34	17	51
Special item	-	-	-	7,004	-
Transfers	1,849	1,883	1,941	1,943	2,317
Total business-type activities	<u>(324)</u>	<u>2,624</u>	<u>1,975</u>	<u>9,506</u>	<u>3,539</u>
Total primary government	<u>\$ 58,651</u>	<u>\$ 56,885</u>	<u>\$ 60,641</u>	<u>\$ 77,768</u>	<u>\$ 75,633</u>
Change in Net Assets					
Governmental activities	\$ 7,427	\$ 1,186	\$ (2,203)	\$ 9,729	\$ 5,828
Business-type activities	3,899	4,853	5,692	16,590	16,529
Total primary government	<u>\$ 11,326</u>	<u>\$ 6,039</u>	<u>\$ 3,489</u>	<u>\$ 26,319</u>	<u>\$ 22,357</u>

CITY OF ASHEVILLE
FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General fund										
Reserved	\$ 7,656	\$ 8,396	\$ 6,996	\$ 9,894	\$ 9,033	\$ 7,075	\$ 14,649	\$ 15,529	\$ 13,834	\$ 19,762
Unreserved	8,781	8,251	8,493	7,313	10,009	17,481	17,833	17,276	23,792	21,852
Total general fund	<u>\$ 16,437</u>	<u>\$ 16,647</u>	<u>\$ 15,489</u>	<u>\$ 17,207</u>	<u>\$ 19,042</u>	<u>\$ 24,556</u>	<u>\$ 32,482</u>	<u>\$ 32,805</u>	<u>\$ 37,626</u>	<u>\$ 41,614</u>
All other governmental funds										
Reserved	\$ 794	\$ 646	\$ 2,917	\$ 341	\$ 354	\$ 2,382	\$ 573	\$ 3,978	\$ 7,793	\$ 5,462
Unreserved, reported in:										
Special revenue funds	34	187	79	156	216	47	1,563	(54)	1,362	834
Capital projects funds	21,050	12,794	3,209	4,656	1,176	(14)	1,030	613	1,543	3,343
Total all other governmental funds	<u>\$ 21,878</u>	<u>\$ 13,627</u>	<u>\$ 6,205</u>	<u>\$ 5,153</u>	<u>\$ 1,746</u>	<u>\$ 2,415</u>	<u>\$ 3,166</u>	<u>\$ 4,537</u>	<u>\$ 10,698</u>	<u>\$ 9,639</u>

CITY OF ASHEVILLE
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues											
Taxes	\$ 35,372	\$ 36,671	\$ 34,713	\$ 36,141	\$ 38,757	\$ 40,046	\$ 46,250	\$ 49,713	\$ 51,259	\$ 53,356	\$ 59,123
Intergovernmental	10,841	12,597	15,947	16,641	17,013	13,584	13,791	13,336	14,875	15,440	14,969
Licenses and Permits	1,905	2,661	3,691	4,133	4,673	4,417	4,406	5,074	4,677	4,948	5,878
Charges for services	4,416	3,834	4,127	4,861	4,947	5,103	9,064	6,933	8,188	9,023	9,775
Private donations	25	107	200	202	48	171	268	247	562	1,059	1,360
Investment earnings	1,369	1,797	1,490	1,066	1,027	439	437	181	663	1,833	1,930
Miscellaneous	1,027	971	989	921	975	1,562	849	1,055	1,320	891	876
Total Revenues	54,955	58,638	61,157	63,965	67,440	65,322	75,065	76,539	81,544	86,550	93,911
Expenditures											
General government	5,738	6,514	6,771	7,985	8,822	8,602	11,552	8,637	12,309	14,177	15,049
Public safety	21,862	22,647	25,251	26,553	25,992	27,185	28,841	29,619	31,138	35,129	38,486
Public works	9,181	9,417	9,888	9,941	9,634	10,005	11,044	11,625	12,576	12,206	11,786
Human services	75	104	53	534	140	243	3,596	3,391	5,181	3,450	3,720
Planning	1,197	1,247	1,463	1,561	1,422	1,336	1,165	1,364	1,503	1,319	2,199
Engineering	885	1,073	1,284	1,218	1,683	1,505	1,600	1,673	1,924	1,905	2,632
Culture and recreation	4,804	5,216	6,056	7,117	7,189	6,445	5,613	7,240	8,342	9,850	9,356
Capital outlay	6,719	13,452	14,451	7,771	8,498	7,667	82	143	-	-	-
Debt service											
Principal	2,079	2,458	2,312	2,419	2,245	2,471	3,604	4,120	3,820	3,803	4,408
Interest	1,348	1,129	1,726	1,479	1,427	1,492	1,468	1,367	1,213	1,128	1,283
Total expenditures	53,888	63,257	69,255	66,578	67,052	66,951	68,565	69,179	78,006	82,967	88,919
Excess (deficiency) of revenues over (under) expenditures	1,067	(4,619)	(8,098)	(2,613)	387	(1,629)	6,500	7,360	3,538	3,583	4,992
Other financing sources (uses)											
Transfer in	2,523	460	474	556	2,927	3,131	1,627	1,889	3,548	4,254	4,099
Transfer out	(4,198)	(4,462)	(3,485)	(3,686)	(4,740)	(4,220)	(3,475)	(3,772)	(5,489)	(6,197)	(6,416)
Sale of capital assets	-	-	130	38	161	156	207	163	97	1,312	254
Long term debt issued	180	3,480	5,575	359	1,970	1,070	2,546	2,191	-	8,030	-
Payment to bond escrow agent	-	(3,397)	(4,933)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,495)	(3,919)	(2,239)	(2,733)	318	137	905	471	(1,844)	7,399	(2,063)
Net change in fund balance	\$ (428)	\$ (8,538)	\$ (10,337)	\$ (5,346)	\$ 705	\$ (1,492)	\$ 7,405	\$ 7,831	\$ 1,694	\$ 10,982	\$ 2,929
Debt service as a percentage of noncapital expenditures	6.36%	5.67%	5.89%	5.97%	5.58%	5.97%	7.68%	8.07%	6.60%	6.16%	6.56%

CITY OF ASHEVILLE
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year Ended June 30	Ad Valorem Taxes	Local Option Sales Tax (a)	Payment in Lieu of Taxes (a)	Other Taxes (a)	Total
1998	22,230	N/A	N/A	14,441	36,671
1999	25,104	N/A	N/A	9,609	34,713
2000	25,740	N/A	N/A	10,401	36,141
2001	27,962	N/A	N/A	10,795	38,757
2002	28,930	N/A	N/A	11,116	40,046
2003	33,013	11,733	1,282	220	46,248
2004	34,617	13,571	1,255	271	49,714
2005	35,178	14,545	1,265	271	51,259
2006	36,874	16,107	67	308	53,356
2007	41,264	17,399	139	321	59,123

(a) Prior to FY2003 all taxes except Ad Valorem were reported as other taxes.

CITY OF ASHEVILLE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	Real Property			Personal Property		Total Taxable Assessed Value	Total City Direct Tax Rate (a)	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Public Works	Motor Vehicles	Other				
1998	1,611,601	1,186,459	154,126	349,803	525,998	3,827,987	0.57	3,857,401	99.24%
1999	2,135,848	1,509,340	170,444	374,234	572,756	4,762,622	0.52	4,800,568	99.21%
2000	2,175,538	1,529,673	186,662	390,207	605,106	4,887,186	0.56	4,927,444	99.18%
2001	2,227,298	1,588,834	187,891	460,054	578,729	5,042,806	0.56	5,082,879	99.21%
2002	2,274,653	1,682,987	170,125	496,826	586,792	5,211,383	0.53	5,253,913	99.19%
2003	2,940,284	2,155,124	158,102	496,247	579,976	6,329,733	0.53	6,410,366	98.74%
2004	3,083,292	2,197,518	158,730	531,994	565,156	6,536,690	0.53	6,624,790	98.67%
2005	3,169,846	2,280,227	162,514	486,374	580,056	6,679,017	0.53	6,768,622	98.68%
2006	3,284,605	2,309,749	165,360	509,456	597,418	6,866,588	0.53	6,934,935	99.01%
2007	4,867,777	3,598,231	189,426	549,169	613,292	9,746,647	0.42	9,872,788	98.72%

(a) Source: Buncombe County Tax Assessor

Note: The levy of property taxes each year is based on the assessed value of taxable property as of January 1 preceding the beginning of the fiscal year on July 1. All taxable property was assessed at one hundred percent (100%) of its estimated actual value at time of revaluation. Revaluation of real property is required by statute at least once every eight years, but is done every four years in Buncombe County. The most recent revaluation was completed for the 2006 levy which is reflected in the 2007 calculations. Tax rates are per \$100 of assessed value.

**CITY OF ASHEVILLE
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>City of Asheville</u>	<u>County of Buncombe</u>	<u>Asheville School District</u>	<u>Maximum Combined Rate</u>
1998	0.57	0.73	0.21	1.51
1999	0.52	0.63	0.20	1.35
2000	0.56	0.63	0.20	1.39
2001	0.56	0.63	0.20	1.39
2002	0.53	0.59	0.20	1.32
2003	0.53	0.59	0.20	1.32
2004	0.53	0.59	0.20	1.32
2005	0.53	0.59	0.20	1.32
2006	0.53	0.59	0.20	1.32
2007	0.42	0.53	0.15	1.10

Source: Buncombe County Tax Collector

CITY OF ASHEVILLE
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2007
(amounts expressed in thousands)

	<u>2006 Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>1998 Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Progress Energy/CP & L	\$ 400,914	1	1.53%	\$ 175,150	1	1.74%
Ingles Markets	139,550	2	0.53%	93,119	3	0.92%
Sonopress Inc.	104,867	3	0.40%	69,966	6	0.69%
Jack Tar Hotels	102,512	4	0.39%	59,143	7	0.59%
Bellsouth Telephone	94,288	5	0.36%	109,132	2	1.08%
Biltmore Company	91,393	6	0.35%	43,867	8	0.43%
Asheville LLC	75,880	7	0.29%	-		-
Southeastern Container	60,979	8	0.23%	89,670	4	0.89%
Borgwarnere Turbo Systems	60,843	9	0.23%	-		-
Waterfall Investment Group LLC	59,947	10	0.23%			-
BASF Corporation	-		-	72,766	5	0.72%
ITT Automotive	-		-	39,832	9	0.39%
RBR & ST	-		-	36,733	10	0.36%
	<u>\$ 1,191,173</u>		<u>4.55%</u>	<u>\$ 789,378</u>		<u>7.82%</u>

Source: Buncombe County Tax Collector

CITY OF ASHEVILLE
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Current Outstanding Balance	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
1998	22,146	21,770	98.3%	77	299	22,069	99.7%
1999	25,099	24,761	98.7%	46	292	25,053	99.8%
2000	25,628	25,272	98.6%	50	306	25,578	99.8%
2001	28,033	27,696	98.8%	58	279	27,975	99.8%
2002	28,936	28,571	98.7%	67	298	28,869	99.8%
2003	33,118	32,641	98.6%	100	377	33,018	99.7%
2004	34,273	33,921	99.0%	79	273	34,194	99.8%
2005	35,443	35,091	99.0%	106	246	35,337	99.7%
2006	36,870	36,557	99.2%	109	204	36,761	99.7%
2007	41,675	41,414	99.4%	261	-	41,414	99.4%

CITY OF ASHEVILLE
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Five Fiscal Years
(amounts expressed in thousands, except per capita amount)

<u>Fiscal Year</u>	<u>Government Activities</u>				<u>Business-Type Activities</u>						<u>Personal Income (amounts expressed in thousands)</u>	<u>Percentage of Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Installment Contracts</u>	<u>Capital Leases</u>		<u>General Obligation Bonds</u>	<u>State Water Bond Loan</u>	<u>Installment Contract</u>	<u>Unamortized Bond Proceeds</u>	<u>Total Primary Government</u>					
2003	\$ 10,488	\$ 19,760	\$ 87		\$ 45,110	\$ 10,877	\$ 2,100	\$ 2,617	\$ -	\$ 91,039	\$ 1,875,581	4.85%	\$ 26,251	\$1,274
2004	9,101	18,020	67		44,090	9,289	1,950	2,113	26	84,656	1,999,706	4.23%	27,518	1,165
2005	7,676	15,878	46		42,960	7,719	1,800	1,610	22	77,711	2,096,547	3.71%	28,432	1,054
2006	6,057	21,916	24		41,800	6,413	1,650	1,320	19	79,199	2,296,829	3.45%	30,789	1,062
2007	4,455	19,335	-		40,580	5,124	1,500	742	16	71,752	(a)	(a)	(a)	(a)

(a) Not available.

CITY OF ASHEVILLE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
1998	13,375	0.35%	195
1999	12,749	0.27%	187
2000	11,738	0.24%	171
2001	12,808	0.25%	186
2002	11,818	0.22%	169
2003	10,488	0.16%	147
2004	9,101	0.14%	125
2005	7,676	0.11%	104
2006	6,057	0.09%	81
2007	4,455	0.05%	59

CITY OF ASHEVILLE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2007
(amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County			
Subtotal, overlapping debt	\$ 85,470	26.79%	\$ 22,897
City of Asheville direct debt	4,455	100.00%	4,455
Total direct and overlapping debt	<u>\$ 89,925</u>		<u>\$ 27,352</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Asheville. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

CITY OF ASHEVILLE
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	306,239	381,010	390,975	403,425	416,911	506,379	522,935	534,321	549,327	779,731
Total net debt applicable to limit	13,375	12,749	11,738	12,808	11,818	10,489	18,391	15,421	12,489	9,596
Legal debt margin	292,864	368,261	379,237	390,617	405,093	495,890	504,544	518,900	536,838	770,135
Total net debt applicable to the limit as a percentage of debt limit	4.37%	3.35%	3.00%	3.17%	2.83%	2.07%	3.52%	2.89%	2.27%	1.23%

Legal Debt Margin Calculation for Fiscal Year 2007

Total assessed value	\$ 9,746,647
Debt limit (8% of total assessed value)	779,731
Debt applicable to limit:	
Total bonded debt	50,175
Less: Revenue bonds	40,580
Total debt applicable to limit	9,596
Legal debt margin	\$ 770,135

Note: Under state finance law, the City of Asheville's outstanding general obligation debt should not exceed 8 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF ASHEVILLE
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population (a)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income (b)	School Enrollment (c)	Unemployment Rate (d)
1998	68,500	1,672,839	24,421	4,217	3.3%
1999	68,133	1,703,938	25,009	4,216	2.3%
2000	68,570	1,792,557	26,142	4,030	3.3%
2001	68,899	1,821,276	26,434	3,937	4.4%
2002	69,726	1,833,097	26,290	3,904	5.4%
2003	71,448	1,875,581	26,251	3,864	5.2%
2004	72,669	1,999,706	27,518	3,826	4.5%
2005	73,739	2,096,547	28,432	3,859	4.6%
2006	74,599	2,296,829	30,789	3,850	3.6%
2007	75,947	(e)	(c)	3,891	3.5%

- (a) City of Asheville Planning Department
- (b) US Department of Commerce, Bureau of Economic Analysis
- (c) Asheville Area Chamber of Commerce
- (d) Department of Labor statistics
- (e) Not available

**CITY OF ASHEVILLE
PRINCIPAL EMPLOYERS***

<u>Employer</u>	<u>2007</u>		<u>Industry</u>	<u>2006</u>	
	<u>Rank</u>	<u>Employment Range</u>		<u>Rank</u>	<u>Employment Range</u>
Mission Health & Hospitals	1	1,000 +	Education and Health Services	1	1,000 +
Buncombe County Schools	2	1,000 +	Education and Health Services	2	1,000 +
State of North Carolina	3	1,000 +	Public Administration	3	1,000 +
Ingles Market Inc.	4	1,000 +	Trade, Transportation, and Utilities	4	1,000 +
Buncombe County Government	5	1,000 +	Public Administration	5	1,000 +
Asheville VA Medical Center	6	1,000 +	Education and Health Services	6	1,000 +
City of Asheville	7	1,000 +	Public Administration	7	1,000 +
The Grove Park Inn Resort & Spa	8	1,000 +	Leisure and Hospitality	10	500-999
The Biltmore Company	9	500-999	Leisure and Hospitality	11	500-999
Asheville Buncombe Community College	10	500-999	Education and Health Services	9	500-999
Wal-Mart	11	500-999	Trade, Transportation, and Utilities	8	1000+
Asheville City Schools	12	500-999	Education and Health Services	13	500-999
Community Carepartners Inc.	13	500-999	Education and Health Services	12	500-999
Eaton Corporation-Cutler Hammer Inc.	14	500-999	Manufacturing	14	500-999
Employment Control Inc.	15	500-999	Professional and Business Services		
US Airways Express	16	500-999	Trade, Transportation, and Utilities		
Borg-Warner Turbo Systems	17	500-999	Manufacturing	16	500-999
US Postal Services	18	500-999	Trade, Transportation, and Utilities	15	500-999
Sonopress Inc.	19	500-999	Manufacturing	17	500-999
Advantage Home and Community Care Inc.			Education and Health Services	18	500-999
Owen Manufacturing			Manufacturing	19	500-999

Source: Employment Security Commission of North Carolina, Labor Market Information Division,
Buncombe County

Note: 2006 is the base year for this information.

CITY OF ASHEVILLE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Function	Full-time Equivalent Employees as of June 30, 2007
General government	198
Public Safety	
Police	
Officers	198
Civilians	53
Fire	
Firefighters and officers	219
Civilians	2
Highway and streets	
Engineering	42
Maintenance	120
Sanitation	37
Culture and recreation	144
Water	135
Total	<u><u>1,148</u></u>

Source: City of Asheville, Human Resources Department

CITY OF ASHEVILLE
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Number of police personnel and officers	218	211	222	218	218	171	235	239	249	251
Number of calls for service	(a)	95,989	101,368	94,296	109,953	93,771	87,343	96,775	98,097	102,276
Number of law violations:										
Uniform Crime Report Part I crimes reported	(a)	5,213	5,338	5,044	4,903	5,337	5,892	6,238	5,117	4,648
Uniform Crime Report Part II crimes reported	(a)	4,138	3,168	3,472	3,425	3,405	3,978	4,222	4,495	4,903
Part I Crime cases cleared by arrest	(a)	9,326	803	841	1,104	1,367	1,230	814	783	1,241
Accidents investigated	4,090	3,113	2,732	2,254	2,278	2,325	6,840	7,081	3,270	7,781
Number of physical arrests	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	5,862	9,757
Number of traffic violations	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	9,315	14,061
Number of incident reports	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	9,612	9,551
Fire										
Number of fire personnel and officers	191	205	202	204	204	198	207	207	221	224
Number of calls answered	11,395	11,690	12,110	11,852	11,163	10,963	12,049	13,820	13,067	15,339
Inspections	3,211	2,857	2,980	3,989	3,159	4,656	4,474	6,292	5,508	5,477
Water										
Number of service connections	42,360	43,049	43,463	44,316	45,333	46,377	47,290	48,332	50,415	51,109
Maximum daily capacity of plants in gallons	36,000,000	36,000,000	40,000,000	41,000,000	41,000,000	41,000,000	41,000,000	43,000,000	44,000,000	43,500,000
Daily average consumption in gallons (thousands of gallons)	23,200,000	22,100,000	20,660,000	21,800,000	21,500,000	21,700,000	21,400,000	20,900,000	21,200,000	21,500,000
Education										
Number of elementary school instructors	190	190	190	190	190	159	153	155	150	112
Number of middle school instructors	70	73	73	73	73	73	61	57	60	63
Number of secondary school instructors	107	107	107	107	107	92	98	99	95	98
Miscellaneous										
Number of Employees	861	906	1,263	1,215	911	899	919	928	1,148	1,148
Area in square miles	40.30	40.30	40.40	41.60	42.26	42.73	43.13	43.15	43.64	43.77

Sources: Various city departments.

(a) Not available

City of Asheville
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety										
Police:										
Stations/Resource Centers	1/6	1/5	2/4	2/5	1/5	1/5	1/6	1/5	1/3	1/4
Patrol Districts	(a)	(a)	4	5	5	5	5	5	3	3
Patrol Units (Beats)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	(a)	12	12
Fire stations	9	9	9	9	9	9	9	9	9	9
Highways and streets										
Streets (miles)	369	373	373	373	378	385	281	390	394	395
Street lights	11,000	11,000	11,010	11,019	9,854	12,531	12,531	12,581	12,585	9,790
Traffic lights	150	150	150	150	218	218	218	218	270	295
Culture and recreation										
Parks acreage	547	547	585	740	727	727	728	755	942	972
Parks and playgrounds	40	40	42	43	44	46	55	56	43	54
Swimming pools	2	2	2	2	2	2	2	2	3	3
Tennis courts	22	22	22	22	22	22	22	34	29	32
Community centers	11	11	11	11	11	11	11	11	11	11
Water										
Water mains (miles)	1,100	1,100	1,150	1,500	1,550	1,550	1,550	1,550	1,600	1,625
Fire hydrants	5,500	5,500	5,800	6,000	6,000	6,000	6,000	6,130	6,355	6,178
Number of Treatment Plants	2	2	3	3	3	3	3	3	3	3
Schools										
Number of elementary schools	6	6	6	6	6	6	5	5	5	5
Number of middle schools	2	2	2	1	1	1	1	1	1	1
Number of secondary schools	1	1	1	1	1	1	1	1	1	1
Number of community colleges	1	1	1	1	1	1	1	1	1	1
Number of universities	1	1	1	1	1	1	1	1	1	1
Hospitals										
Number of hospitals	2	2	2	2	2	2	2	2	2	2
Number of patient beds (include VA nursing home)	1094	1094	1094	1094	1094	1050	1032	1032	1032	1032

Sources: Various city departments.
(a) Not available

CITY OF ASHEVILLE
WATER SYSTEMS STATISTICS (a)
HISTORICAL DEMAND
Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Residential Single Family										
Total # of Accounts	37,418	37,734	38,114	38,936	39,808	40,726	41,575	42,525	43,660	44,899
Total # of Bills	224,508	241,369	228,684	233,616	234,717	238,335	246,672	251,782	253,411	258,111
Annual Usage Volume	2,802,462	2,684,919	2,656,970	2,651,286	2,574,760	2,672,756	2,570,229	2,572,856	2,642,539	2,772,653
Residential Multi Family										
Total # of Accounts	1,162	1,414	1,422	1,419	1,439	1,475	1,488	1,494	1,509	1,523
Total # of Bills	7,460	9,356	8,901	8,788	8,981	9,152	9,746	9,930	9,456	9,039
Annual Usage Volume	823,317	911,812	945,709	938,554	919,895	967,081	958,236	971,231	975,238	982,227
Non-Residential										
Total # of Accounts	3,771	3,901	3,927	3,961	4,086	4,006	4,057	4,172	4,377	4,481
Total # of Bills	24,575	25,387	24,528	23,984	23,722	24,355	26,109	26,649	25,826	24,918
Annual Usage Volume	4,170,457	3,867,642	3,264,883	3,090,454	3,116,198	3,355,708	3,389,719	3,326,140	3,274,229	3,209,849

(a) City of Asheville Water Resources Department.

CITY OF ASHEVILLE
WATER SYSTEM STATISTICS (a)
WATER CUSTOMERS
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Single Family Residential</u>	<u>Multi- Family Residential</u>	<u>Commercial/ Industrial</u>	<u>Total</u>
1998	37,418	1,162	3,771	42,351
1999	37,734	1,414	3,901	43,049
2000	38,114	1,422	3,927	43,463
2001	38,936	1,419	3,961	44,316
2002	39,808	1,439	4,086	45,333
2003	40,726	1,475	4,006	46,207
2004	41,575	1,488	4,057	47,120
2005	42,525	1,494	4,172	48,191
2006	43,660	1,509	4,377	49,546
2007	44,899	1,523	4,481	50,903

(a) City of Asheville Water Resources Department

CITY OF ASHEVILLE
WATER SYSTEM NET INCOME PROJECTIONS AND INCOME AVAILABLE FOR DEBT SERVICE
 Last Seven Fiscal Years

	2001	2002	2003	2004	2005	2006	2007
Net Income Projections							
Operating Revenues:							
Billing charge revenues	\$ 1,285,978	\$ 1,281,639	\$ 1,312,997	\$ 1,364,605	\$ 1,392,784	\$ 1,394,387	\$ 1,410,688
Volume charge revenues	17,663,735	18,102,462	18,880,139	18,650,881	18,514,311	18,983,499	19,286,742
Other operating revenues	1,771,851	2,018,651	2,449,492	2,779,049	3,016,370	3,614,925	9,757,768
Subtotal Operating Revenues	20,721,564	21,402,752	22,642,628	22,794,535	22,923,465	23,992,811	30,455,198
Operating expenses before depreciation							
Operation and maintenance expenses	(12,616,388)	(13,273,751)	(13,649,164)	(14,689,600)	(15,172,216)	(14,617,311)	(15,106,621)
Operating income before depreciation	8,105,176	8,129,001	8,993,464	8,104,935	7,751,249	9,375,500	15,348,577
Depreciation	(3,300,023)	(3,453,808)	(3,456,256)	(3,662,517)	(3,832,185)	(3,971,962)	(4,229,696)
Operating Income	4,805,153	4,675,193	5,537,208	4,442,418	3,919,064	5,403,538	11,118,881
Nonoperating revenues:							
Investment income	1,135,322	561,319	189,961	115,296	250,971	427,548	940,606
Nonoperating expenses:							
Bond interest expense	(2,938,684)	(3,461,924)	(3,116,929)	(3,085,313)	(2,896,086)	(4,322,374)	4,954,448
Net income	\$ 3,001,791	\$1,774,588	\$ 2,610,240	\$ 1,472,401	\$ 1,273,949	\$ 1,508,712	\$17,013,935
Income Available for Debt Service							
Net income	\$ 3,001,791	\$1,774,588	\$ 2,610,240	\$ 1,472,401	\$ 1,273,949	\$ 1,508,712	\$17,013,935
Adjustments:							
Depreciation							
Nonoperating expenses	3,300,023	3,453,808	3,456,256	3,662,517	3,832,185	3,971,962	4,229,696
Payment in lieu of taxes (a)	2,938,684	3,461,924	3,116,929	3,085,313	2,896,086	4,322,374	(4,954,448)
	1,554,117	1,624,234	1,709,937	1,708,805	1,739,273	-	-
Income available for debt service	\$10,794,615	\$ 10,314,554	\$ 10,893,362	\$ 9,929,036	\$ 9,741,493	\$ 9,803,048	\$16,289,183

(a) Included in operating expenses and transfers from the Authority to the City and County at the end of the year for payment in lieu of taxes. City in lieu of taxes is determined as approximately 5.0% of total revenues, and County in lieu of taxes is determined as 2.5% of revenues. These payments would be subordinate to debt service payments on senior and existing debt. As a result, these funds would be made available for debt service coverage should they be needed. Due to the dissolution of the water agreement in 2005 the City no longer remits 2.5% of total revenue to the County.

**CITY OF ASHEVILLE
PRINCIPAL WATER CUSTOMERS (a)
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Customer</u>	<u>Type of Business</u>	<u>Consumption</u>	<u>Revenue</u>	<u>Percentage of Total Water Revenues</u>
Anvil Knitwear	Dyeing/Finishing	381,468	\$ 519,169	1.70 %
Mission Hospitals	Hospital	136,479	311,642	1.02
Colbond	Textile	212,527	293,922	.97
Grove Park Inn	Resort	77,263	225,767	.74
Town of Biltmore Forest	Wholesale - Township	84,877	170,897	.56
Milkco	Food Processing	76,142	154,196	.51
Woodfin Water / Sewer District	Wholesale - Township	62,148	125,918	.41
Town of Black Mountain	Wholesale - Township	72,561	120,414	.40
Givens Estates	Retirement Community	38,990	118,130	.39
Biltmore Estate	Leisure and Hospitality	63,288	114,569	.38

(a) City of Asheville Water Resources Department

Compliance Section

This section contains various schedules as required by the *U. S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and other state agencies. It also contains the Independent Auditors' reports on compliance and controls as required by the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, and the North Carolina State Single Audit Implementation Act.

City of Asheville

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2007

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Total Expenditures
Federal Awards					
<u>U.S. Department of Transportation</u>					
Direct Programs:					
Federal Transit Authority Capital and Operating:					
Federal Transit Formula Grant	20.507	-	\$ 1,540,530	\$ -	\$ 1,540,530
Capital Investment Grant	20.500	-	1,328,231	-	1,328,231
Capital Improvement Grant - Garage Roof	20.000	-	75,263	-	75,263
Passed through NCDOT:					
Highway Planning & Construction Grant	20.205	-	100,546	-	100,546
Federal Transit Metropolitan Planning Grant	20.505	-	7,575	947	8,522
Formula Grants for other than Urbanized Areas	20.509	-	51,513	51,515	103,028
NC Governors Highway Safety Grant	20.605	157(b)2-05-14-g	7,479	-	7,479
Total U.S. Department of Transportation			<u>3,111,137</u>	<u>52,462</u>	<u>3,163,599</u>
<u>U.S. Department of Housing and Urban Development</u>					
Direct Programs:					
Community Development Block Grant Program/Entitlement Grants	14.218	B-02-MC-370001	1,605,807	-	1,605,807
Fair Housing Assistance Program-- FHAP	14.401	FF204K044018	96,640	-	96,640
HOME Program	14.239	M-02-DC-370201	1,590,419	-	1,590,419
Outstanding Section 108 loan balances	14.221		1,154,172	-	1,154,172
Total U.S. Department of Housing and Urban Development			<u>4,447,038</u>	<u>-</u>	<u>4,447,038</u>
<u>U. S. Department of Agriculture</u>					
Passed through NC Dept of Health & Human Services- Div of Maternal & Child Health, After School Program Food Service	10.559	7197	<u>15,365</u>	<u>-</u>	<u>15,365</u>
Total U.S. Department of Agriculture			<u>15,365</u>	<u>-</u>	<u>15,365</u>
<u>U. S. Department of Justice</u>					
Direct Programs:					
Justice Assistant Grant - BJA	16.738	DJBX0508	53,641	-	53,641
Bulletproof Vest Program	16.607	-	13,809	-	13,809
Weed & Seed Grant	16.595		<u>52,714</u>	<u>-</u>	<u>52,714</u>
Total U. S. Department of Justice			<u>120,164</u>	<u>-</u>	<u>120,164</u>

(continued)

City of Asheville

Schedule of Expenditures of Federal and State Awards

For the Year Ended June30, 2007

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Total Expenditures
U. S. Department of Homeland Security					
Direct:					
Assistance to Firefighters Grant	97.044	-	149,703	-	149,703
Passed through NC Department of Crime Control & Public Safety					
VIPER Grant	97.067	24964-2B01030	144,000	-	144,000
Passed through NC Emergency Management					
Public Assistance Grant	97.036	-	881,842	-	881,842
Total U.S. Department of Homeland Security			<u>1,175,545</u>	<u>-</u>	<u>1,175,545</u>
State Awards					
N. C. Department of Transportation					
Direct Programs:					
Powell Bill	N/A	-	-	2,282,069	2,282,069
Ride Share	N/A	-	-	39,114	39,114
State Maintenance Assistance Program	N/A	SMAP	-	720,206	720,206
Transportation Demand Management	N/A	-	-	28,221	28,221
Total N.C.Department of Transportation			<u>-</u>	<u>3,069,610</u>	<u>3,069,610</u>
N. C. Department of Health and Human Services					
Direct Programs:					
Senior Outreach	N/A	-	-	21,816	21,816
Total N.C. Department of Health and Human Services			<u>-</u>	<u>21,816</u>	<u>21,816</u>
N. C. Department of Environment and Natural Resources					
Direct Programs:					
Glenn's Creek Parkway	N/A	PO5112	-	50,000	50,000
Special Appropriations-WNC Nature Center	N/A	-	-	112,879	112,879
High Unit Cost Grant - DEH0930	N/A	DEH0930	-	172,252	172,252
Total N.C. Department of Environment, Health, and Natural Resources		-	<u>-</u>	<u>335,131</u>	<u>335,131</u>
N.C. Department of Crime Control and Public Safety					
Passed through NC Rural Development Center					
Hurricane Recovery Bussiness Area Redevelopment Planning Grant	N/A	-	-	686,190	686,190
Total Federal and State Awards Expended			<u>\$ 8,869,249</u>	<u>\$ 4,165,209</u>	<u>\$ 13,034,458</u>

CITY OF ASHEVILLE

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2007

NOTES TO THE PRECEDING SCHEDULE:1. Significant Accounting Policies

The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of the City of Asheville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

2. Federal and State Awards Which Have Been Passed Through to Sub recipients

<u>Sub recipient</u>	<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Tenant-Based Rental Assistance	HOME Investment Partnerships	14.239	\$ 34,476	\$ -
MHO - Griffin Apts	HOME Investment Partnerships	14.239	1,000	-
MHO - Crowell Park	HOME Investment Partnerships	14.239	285,768	-
MHO - Clinganman Avenue Apartments	HOME Investment Partnerships	14.239	83,534	-
MHO - Glen Rock Apartments	HOME Investment Partnerships	14.239	85,231	-
MHO - Glen Rock Pre-development	HOME Investment Partnerships	14.239	50,000	-
MHO - Self-Help Homeownership - Bunc. Co.	HOME Investment Partnerships	14.239	79,000	-
Buncombe Co. - Rural Housing Rehab	HOME Investment Partnerships	14.239	36,472	-
Buncombe Co. - Our Next Generation	HOME Investment Partnerships	14.239	22,400	-
HAC - Mainstay Manor	HOME Investment Partnerships	14.239	67,135	-
HAC - Highland View Apartments	HOME Investment Partnerships	14.239	1,826	-
HAC - Sugar Hill Apartments	HOME Investment Partnerships	14.239	388,548	-
HAC - Homeownership Assistance	HOME Investment Partnerships	14.239	5,400	-
Henderson Co. Habitat - Shuey Knolls	HOME Investment Partnerships	14.239	99,213	-
Madison Co. Owner - Occupied Rehab	HOME Investment Partnerships	14.239	143,365	-
WCCA - English Hills Apartments	HOME Investment Partnerships	14.239	1,000	-
American Dream Down payment Assistance	HOME Investment Partnerships	14.239	53,000	-
General Program Admin	HOME Investment Partnerships	14.239	133,936	-
Member Government Administration	HOME Investment Partnerships	14.239	7,950	-
CHDO operating expenses	HOME Investment Partnerships	14.239	92,679	-
Friends of the Nature Center	Special Appropriations-WNC Nature Center		-	84,660
Total			\$ 1,671,933	\$ 84,660

See the accompanying Independent Auditors' Report.

CITY OF ASHEVILLE
Schedule of Revenue and Expenditures -- High Unit Cost Grant--
Project Number DEH0930

From Inception and the Year Ended June 30, 2007

	<u>Prior Years</u>	<u>Current Year</u>	<u>Project to Date</u>
Sources of Funds:			
MSD Reimbursement	2,200		\$ 2,200
State Funds	2,270,143	172,252	2,442,395
Total Revenues	<u>\$ 2,272,343</u>	<u>\$ 172,252</u>	<u>\$ 2,444,595</u>
Construction Cost:			
WC0201	\$ 583,484	\$ -	\$ 583,484
WC0202	613,090	-	613,090
WC0203	623,259	172,252	795,511
Administrative Expense:			
Professional Services	435,418	-	435,418
Advertising	1,062	-	1,062
Legal Fees	13,045	-	13,045
Engineering Fees	3,296	-	3,296
License, Taxes & Fees	96	-	96
Other			
Right of Ways	4,100	-	4,100
Total Expenditures	<u>\$ 2,276,850</u>	<u>\$ 172,252</u>	<u>\$ 2,449,102</u>



DIXON HUGHES P.L.L.C.

Certified Public Accountants and Advisors

**Report On Internal Control Over Financial Reporting And On Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

City of Asheville
Asheville, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Asheville, North Carolina (the "City"), as of and for the year ended June 30, 2007 which collectively comprises the City's basic financial statements, and have issued our report thereon dated October 31, 2007. We did not audit the financial statements of the City of Asheville ABC Board. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Asheville ABC Board, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the City of Asheville ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when designed or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider Finding 2007-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of the City in a separate letter dated October 31, 2007.

This report is intended solely for the information and use of the members of City Council, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 31, 2007

Dixon Hughes PLLC



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

City of Asheville
Asheville, North Carolina

Compliance

We have audited the compliance of the City of Asheville, North Carolina (the "City"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Asheville complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed one instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, and which is described in the accompanying schedule of findings and questioned costs as Finding 2007-2.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable

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500 Ridgely Court
PO Box 3049
Asheville, NC 28802
Ph. 828.254.2254 Fx. 828.253.8914
www.dixon-hughes.com

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INDEPENDENT FIRMS

to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of a compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the members of City Council, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes PLLC

October 31, 2007



DIXON HUGHES P.A.C.

Certified Public Accountants and Advisors

Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act

City of Asheville
Asheville, North Carolina

Compliance

We have audited the compliance of the City of Asheville, North Carolina (the "City"), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2007. The City's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness

of internal control over compliance.. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that non-compliance with a type of a compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a State program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the members of City Council, management, others within the organization, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes PLLC

October 31, 2007

CITY OF ASHEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2007

Section I--Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Non-compliance material to financial statements noted? yes X no

Federal Awards

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Type of auditors' report issued on compliance for major federal programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X yes no

(continued)

CITY OF ASHEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs, Continued

For the Year Ended June 30, 2007

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME Program
20.500	Federal Transit Capital Investment Grant
14.248	Section 108 Loan Program

Dollar threshold used to distinguish
between Type A and Type B Programs. \$ 300,000

Auditee qualified as low risk auditee? X yes no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes X no

Type of auditors' report issued on compliance for major State programs: unqualified

Identification of major State programs:

Program Name
Powell Bill
Business Development Grant

(continued)

CITY OF ASHEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs, Continued

For the Year Ended June 30, 2007

Section II--Financial Statement Findings

Finding: 2007-1 Bank Reconciliations

MATERIAL WEAKNESS

Criteria:	Cash balances recorded in a government's accounting system should be reconciled monthly to cash balances reported by financial institutions.
Condition:	We noted erroneous reconciling items on four different versions of the bank reconciliation for the main operating account that later led to the discovery of a duplicate entry recorded to cash in the amount of \$947,042.
Effect:	Cash in the Mass Transit Fund was overstated by \$947,042.
Cause:	Improper supervision and review of staff by manager with direct over-sight responsibility.
Recommendation:	We recommend the City review its bank reconciliation procedures and make necessary changes to ensure cash balances are properly reconciled each month.
Management's Response:	See Corrective Action Plan.

(continued)

CITY OF ASHEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs, Continued

For the Year Ended June 30, 2007

Section III--Federal Award Findings and Questioned Costs

Finding: 2007-2 Inspection of HOME Projects

US Department of Housing and Urban Development (HUD)

Program Name: HOME

CFDA 14.239

NON-COMPLIANCE

Sub-recipient monitoring

Criteria:	HUD requires on-site inspections during the period of affordability to determine compliance with property standards and verify the information submitted by the owners no less than: 1) every three years for projects containing 1 to 4 units, 2) every two years for projects containing 5 to 25 units, and 3) every year for projects containing 26 or more units.
Condition:	As noted in the Consolidated Annual Performance and Evaluation Report, 14 projects were listed as being subject to inspection. Of these 14 projects, only 2 met the monitoring requirements specified above.
Effect:	HOME projects could be out of compliance.
Cause:	Recent staff turnover has left the City without sufficient resources to stay current on its inspections.
Recommendation:	We recommend the City devote sufficient resources to comply with HOME standards.
Management's Response:	See Corrective Action Plan.

(continued)

CITY OF ASHEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs, Continued

For the Year Ended June 30, 2007

Section IV--State Award Findings and Questioned Costs

There were none.

CITY OF ASHEVILLE, NORTH CAROLINA

Corrective Action Plan

For the Year Ended June 30, 2007

Section II--Financial Statement Findings

2007-1 Bank Reconciliations

MATERIAL WEAKNESS

Name of contact person: Benjamin C. Durant, III Chief Financial Officer

Corrective action: Corrective action in this matter will be taken as needed with respect to the responsible personnel. Additionally, the department will review the bank reconciliation process and develop specific recommendations to strengthen the supervision, review and sign-off process to ensure that cash balances are properly reconciled each month.

Proposed completion date: December 31, 2007

Section III—Federal Award Findings and Questioned Costs

2007-2 Inspection of HOME projects

US Department of Housing and Urban Development (HUD)

Program Name: HOME

CFDA 14.239

NON-COMPLIANCE

Sub-recipient Monitoring

Name of contact person: Charlotte Caplan, Community Development Director

(continued)

CITY OF ASHEVILLE, NORTH CAROLINA

Corrective Action Plan, Continued

For the Year Ended June 30, 2007

Corrective action:

The vacant staff position at the end of FY2007 has been filled. Of the 12 projects in non-compliance with inspection requirements at the end of FY 2007, five have been brought into compliance (inspected) in the first three months of FY 2008. Staff have prepared a plan to inspect the remaining seven projects over the next six months - see schedule below.

Proposed completion date:

March 31, 2008

<u>Development</u>	<u>Units</u>	<u>Last Inspected</u>	<u>2007-08 Inspection</u>
<u>Completed Inspections</u>			
Wind Ridge, Asheville	40	8/07	7/08
Hillside Commons, Hendersonville	36	8/07	7/08
LIFE House Apts., Asheville	20	9/07	8/09
Mountain Springs Apts, Asheville	44	10/07	9/08
Compton Place Apts, Asheville	40	10/07	9/08
<u>Planned Inspections</u>			
Laurel Wood Apts, Asheville	50		12/07
Overlook Apts, Asheville	48	9/98	12/07
Laurel Bridge Apts, Asheville	10	6/03	1/08
Dunbar Place Apts, Asheville	74	6/03	1/08
River Glen Apts, Arden	38	6/06	2/08
Battery Park Apartments, Asheville	121	2005	2/08
Northpoint Commons Phase I	39	11/05	3/08

CITY OF ASHEVILLE

Summary Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2007

There were no findings or questioned costs for the years ended June 30, 2005 and 2006.

City of Asheville, North Carolina

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

Prepared by the Finance Department

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Asheville
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enen".

Executive Director